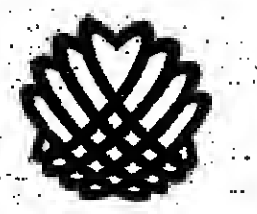

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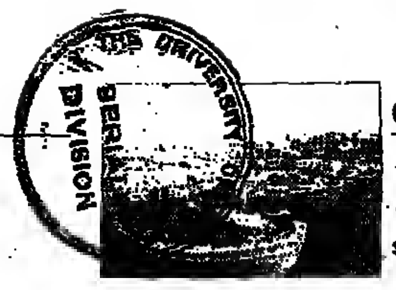

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FINANCIAL TIMES

Europe's Business Newspaper

THURSDAY JULY 8 1993 D8523A

Merger of Renault and Volvo likely by end of July

The merger of Renault, the French state-controlled motor group, and Volvo, its Swedish partner, should be completed by the end of this month, French industry minister Gérard Longuet said.

Mr Longuet also confirmed that oil group Elf Aquitaine and chemicals company Rhône-Poulenc were key candidates for the first round of the privatisation programme. Page 19; Thomson asked to consider CSF-TCE merger, Page 20

Finland cuts base rates: In an effort to lift the economy out of deep recession and sustain emerging optimism for recovery, Finland cut its base rate from 7 to 6.5 per cent. Page 18

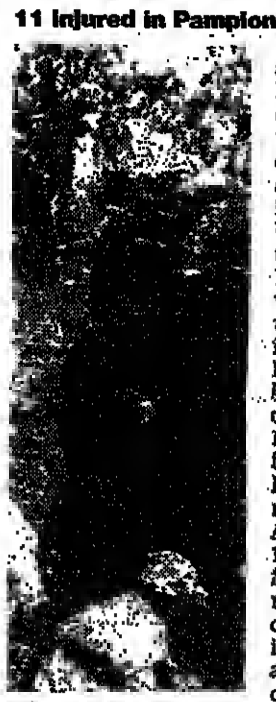
Nigerian parties may form government: Nigeria's Social Democratic party has agreed in principle to form an interim national government to replace the military regime on August 27. Page 18

Milosevic tightens grip: Danielle Mitterrand, the French president's wife, failed to persuade Serbian president Slobodan Milosevic to free Vuk Draskovic, the opposition leader badly beaten by police during demonstrations in Belgrade last month. Page 18

Deutsche Bank may cut Daimler stake: Deutsche Bank may reduce its 28 per cent holding in Daimler-Benz in the medium-term, Daimler chief executive Edzard Reuter said. Page 19; Lex, Page 18

Iraq arms inquiry spotlights officials: Lord Justice Scott suggested that Whitehall officials may have acquiesced in ensuring loopholes in the UK government's restrictions on arms sales to Iraq. Page 8; Iraq in oil talks, Page 6

11 injured in Pamplona bull run



Eleven people, including an American and a Briton were injured on the first day of the annual running of the bulls in the northern Spanish City of Pamplona. Six fighting bulls stormed through the streets in what longtime Pamplona watchers called a particularly dangerous run in the nine-day San Fermin fiesta, which has been held almost continuously since 1591 and was made famous by Ernest Hemingway's 1926 novel *The Sun Also Rises*. There have been 12 fatal gorings during fiestas since 1924, but none since 1980. Tens of thousands of Spaniards and foreign visitors are expected to watch or participate.

Lufthansa, the German state-controlled airline, broke even in the second quarter and was on course for sharply reduced losses for 1993. Page 19

Angola to award oil contracts: The Angolan government is ready to award two new contracts for oil exploration shortly in spite of the country's civil war and disrupted production. Page 6 Russia and US in oil and gas deal, Page 7

Hyundai strike raises economy fears: A general strike at Hyundai group factories, South Korea's largest conglomerate, raised concerns that the nation's economic recovery could be affected. Page 6

Autumn of discontent threat for Kohl: German unions threatened an autumn of discontent for chancellor Helmut Kohl if his centre-right coalition government did not retract proposals for a new sick pay law. The plan would deny workers pay for their first two days of sick leave.

Caterpillar accused of EC breaches: Caterpillar, the world's largest construction equipment group, faces EC fines for alleged "serious infringements" of competition laws. Page 4

11 die in Algerian violence: Eleven people including three policemen and two Moslem guerrillas have been killed in Algeria in the last two days of political violence. Oil on Algeria's troubled waters, Page 25

Calvin lashes Mexico: At least 19 people died and thousands were left homeless in western Mexico as hurricane Calvin moved up the Pacific coast. Weather, Page 26

■ STOCK MARKET INDICES

FT-SE 100:	2848.3	(+0.2)
Yield	4.02	
FT-SE Eurotrack 100	1211.33	(+6.29)
FT-A All-Share	1411.73	(-0.1%)
Nikkei	19,720.67	(-109.11)
New York: lunchtime		
Dow Jones Ind Ave	3489.02	(+19.09)
S&P Composite	443.19	(+1.76)

■ US LUNCHTIME RATES

Federal Funds:	3⅛%	
3-mo Treas Bills: Yld	3.098%	
Long Bond	105¾	
Yield	6.674%	

■ LONDON MONEY

3-mo interbank	5 15/32%	(same)
Life long gilt future:	Sep 107 15/32	(Sep 107¾)

■ NORTH SEA OIL (Argus)

Brent 15-day (Aug)	$16.92	(17.17)

■ Gold

New York Comex (Aug)	$397.8	(393.1)
London	$394.8	(391.75)

■ STERLING

New York lunchtime:		
$	1.4921	
London:		
$	1.4925	(1.51)
DM	2.5475	(2.5675)
FFr	8.6175	(8.6825)
SFr	2.2625	(2.28)
Y	160.75	(163.25)
£ Index	80.8	(81.4)

■ DOLLAR

New York lunchtime:		
DM	1.709	
FFr	5.7705	
SFr	1.5145	
Y	107.705	
London:		
DM	1.7075	(1.7)
FFr	5.775	(5.7525)
SFr	1.5165	(1.5105)
Y	107.7	(108.2)
$ Index	65.6	(same)

Tokyo close Y 108.55

Austria	Sch30	Germany	DM3.30	Malta	Lm0.60	S.Arabia	SR11
Bahrain	Din1.250	Greece	Dr300	Morocco	MDh13	Singapore	S$4.10
Belgium	BFr60	Hungary	Ft172	Neth	Fl 3.75	Slovak Rp	KSL45
Bulgaria	Lv25.00	Iceland	IKr215	Nigeria	Naira45	Slovenia	SLT220
Croatia	HRD5700	India	Rs40	Norway	NKr16.00	South Africa	R12.00
Cyprus	C£1.00	Israel	Shk5.90	Oman	OR1.50	Spain	Pta210
Czech Rp	Kcs45	Italy	L2700	Pakistan	Rs35	Sweden	SKr15
Denmark	DKr15	Jordan	JD1.50	Philippines	Pso45	Switz	SFr3.20
Egypt	E£4.50	Kuwait	Fils.600	Poland	Zl 22,000	Syria	S£50.00
Finland	FM12	Lebanon	US$1.25	Portugal	Es215	Tunisia	Din1.250
France	FFr9.00	Lux	LFr60	Qatar	QR12.00	Turkey	L8000
						UAE	Dh11.00

Summit breakthrough puts pressure on Gatt negotiators to unblock Uruguay Round

G7 nations agree on far-reaching tariff cuts

By Peter Norman, Economics Editor, in Tokyo

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■ Tariff-cutting deal lifts hopes
■ Accord fixes agenda for global talks
■ Kantor puts on the kid gloves
PAGE 3
■ Clinton appeals to the Japanese heart
■ Japanese strip away pomp
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THE WORLD'S leading industrial nations yesterday agreed a potentially far-reaching tariff-cutting deal which could unblock the long stalled Uruguay Round of trade liberalisation talks.

Shortly before the leaders of the Group of Sevan countries began their 19th economic summit in Tokyo, top level trade negotiators delivered the long sought after prize of a draft agreement to expand market access for manufactured products.

US president Bill Clinton hailed the agreement, reached by ministers from the "Quad" group of countries – the US, the European Community, Japan and Canada – as "good news for America and good news for the world". It meant "more jobs and higher incomes for our people", he said.

Mr John Major, the UK prime minister, said the agreement was "infinitely bigger than anything we have seen before". While US officials predicted that as many as 2m jobs could be created worldwide as a result of the trade deal.

Sir Leon Brittan, the EC chief trade negotiator, said yesterday was "an exciting day for world trade and good news for the world economy" and hailed the Quad agreement as a "breakthrough".

But he warned that difficult negotiations lay ahead. He pointed out that the market access agreement would have to be approved by the membership of the General Agreement on Tariffs and Trade and that many other issues, such as agriculture, had to be resolved if the Uruguay Round negotiations were to be completed as hoped by the end of the year.

Yesterday's agreement proposes:

- The elimination of tariff and non-tariff barriers for eight categories of manufactured products.
- The harmonisation of tariffs on chemical products at low rates.
- Tariff cuts of up to 50 per cent where existing tariffs exceed 15 per cent.
- Negotiation of tariff cuts averaging at least one third on other products, with the possibility of cuts of more than 50 per cent on some items.

Tha negotiations also produced agreement to progress to greater trade liberalisation in tha services sector, particularly financial services and basic telecommunications.

Mr Mickey Kantor, the US trade representative, claimed that the Quad pact was the "biggest tariff cutting agreement in history". Mr Major said that 80 to 90 per cent of the proposed Uruguay Round agreement was now in place.

The summit of G7 countries – the US, Japan, Germany, France, Britain, Italy and Canada – is expected to support yesterday's agreement, which will be presented to Gatt negotiators next Monday.

Mr Major said the effect of this week's summit would be to put huge pressure on Gatt negotiators to reach a successful conclusion to the trade talks.

One good omen for the pact was its generally favourable reception by the French government, which is holding up agreement on the liberalisation of farm trade. French officials said the government reacted "prudently, but positively to the news".

The US and Britain were quick to claim that Mr Clinton and Mr Major deserved the credit for the successful conclusion of the deal – claims that came as a surprise to at least one of the participants in the long-drawn-out negotiations to agree the pact.

The US and EC agreed, however, that the breakthrough would not have been possible without a special effort by Japan, which surprised other Quad members by agreeing to eliminate tariffs on spirits such as whisky and brandy.

While Mr Kiichi Miyazawa, the Japanese prime minister, was enjoying the plaudits of his G7 trading partners, he received a reminder that tariff cuts are not necessarily popular at home as the Japan Spirits and Liquor Makers' Association said it "deeply regretted" Japan's special contribution to the market access deal.

Group leaders: Bill Clinton flanked by François Mitterrand (left) and Kiichi Miyazawa at the Group of Seven summit talks yesterday in Tokyo

EC steel faces chaos warns Brussels

By Andrew Hill in Brussels and Haig Simonian in Milan

THE European Community's steel strategy faces chaos if a growing row over subsidies for state-owned steelmakers is not resolved by the autumn, Mr Karel Van Miert, competition commissioner, said yesterday.

The European Commission has threatened Italy with a formal injunction to prevent the government writing off an estimated Ecu4bn ($4.6bn) of debt at Ilva, the lossmaking state steel producer. The Commission has also extended an existing stata aid inquiry to study the debt cancellation.

Italy has been given 15 days to comment before the rarely used injunction powers will be activated, although Rome will still be able to finance more than Ecu80m of monthly losses at Ilva.

Brussels hopes the latest action will persuade Italy to comply with overall EC plans for capacity cuts in the ailing Community industry by September 21. That is the new date for a meeting of EC industry ministers on subsidies, delayed from this month because of the outstanding problems.

"We have to be ready for that *extraordinary council* because if we are not. . . . I fear we may be heading towards chaos," said Mr Van Miert. He and Mr Martin Bangemann, industry commissioner, will press steelmakers on capacity cuts at a "secret" meeting in Geneva on Monday.

State-owned Spanish and east German steelmakers are also resisting the Commission's tough line but, unlike Rome, both Madrid and Bonn have been talking to Brussels about changes. The Italians have not yet admitted the existence of state aid in their plans and refuse to cut capacity.

The signs are that the Italians will be prepared to negotiate. Earlier this year, Mr Hayao Nak-

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Crisis of slow growth and job losses

By Charles Leadbeater in Tokyo

THE WORLD'S leading economies face a long-term crisis of slow growth and rising unemployment which will not be solved by macro-economic policies or by deregulation to free up markets, according to a report agreed yesterday by the finance ministers from the G7 countries.

The report says the G7 economies need greater wage flexibility and more active labour market policies for training as well as changes to social insurance schemes which discourage job creation. The high cost of healthcare and the ageing of most populations means stronger control over health spending will be required along with greater competition in the provision of medical services to reduce costs.

Mr John Major, the Britisb prime minister, said each G7 country had to take unpopular but necessary steps to keep in check growing social security budgets.

He said Britain's social security spending was rising at 3 per cent per year in real terms after a sevenfold increase since 1945. He warned that this growth was structural, the prodnct of Britain's ageing population and widening entitlements to benefits.

By the year 2030, for every 10 pensioners there would be only 24 people of working age, compared with 34 today. The confidential report, which will be discussed by the G7 heads of state later today, snggests the G7 economies are facing structural obstacles which bave undermined their long-term potential for growth.

It calls on the G7 to build on macro-economic policies by co-operating to tackle common issues such as high healthcare costs and policies to promote training.

Unlike previous G7 statements on structural issues, the manifesto for structural reform does not simply call for deregulation to free up markets. In a marked change of tone, which reflects the involvement of the Clinton administration, the manifesto casts doubt on the benefits of financial deregulation and argues for more active pnblic policies, particularly in the field of education and training. The need to reduce unemployment was the main issne discussed yesterday by the heads of state and finance ministers in their afternoon meetings. Japan, as the G7 summit bost, has argued that to head off mounting protectionism pressures bred by high nnemployment, strnctnral reforms are vital to revive growth.

The approach is also likely to win backing from US president Bill Clinton who has called for international talks on employment creation.

Hungarian budget vote boosts hopes for deal with IMF

By Nicholas Denton in Budapest

HUNGARY'S conservative coalition government yesterday survived a crucial budget vote in parliament, boosting its hopes of reaching a new funding agreement with the International Monetary Fund

The government's plan to increase value-added tax on foodstuffs and other staples from 6 to 10 per cent was approved by a majority of 13.

The government's comfortable margin of victory was ensured by the absence of some opposition MPs from the Free Democrats and Young Democrats, two liberal parties which have no desire to fight early elections.

The ruling Hungarian Democratic Forum of Mr Jozsef Antall, the prime minister, has a majority of just one following the recent defection of rightwingers to the newly formed Hungarian Justice party.

Approval of the budget staves off the prospect of early elections as Mr Antall, leader of post-communist central Europe's longest-running government, had warned he would be unwilling to lead a minority administration. Elections are due to be held in May 1994.

Officials, however, believe the coalition allies of the Hungarian Democratic Forum are likely to grow more rebellious and a further challenge to the government may come this autumn when the restrictive 1994 hudget comes before parliament.

The change to VAT is part of a supplementary budget aimed at holding Hungary's budget deficit down to Ft215bn ($2.34bn) this year. That would keep the public sector deficit down to 6.8 per cent of gross domestic product and put it on track for a further reduction to 5.6 per cent in 1994.

Yesterday's approval of the mini-budget comes at the same tima as a reported compromise in talks between the International Monetary Fund and the trade unions over social security funding. Resolution of the two issues sets the scene for Hungary to conclude a new 18 month accord with the IMF which would provide access to $700m in loans.

An IMF seal of approval would in turn clear the way for a World Bank package of credits to restructure Hungary's most indehted companies and support the recapitalisation of Hungary's largest commercial banks whose balance sheets are littered with non-performing loans granted to lossmaking state owned enterprises.

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Tariff-cutting deal lifts hopes for Uruguay Round

Long and difficult talks lie ahead before pact is sealed, report **Peter Norman and Michiyo Nakamoto**

THERE was no shortage of superlatives in Tokyo yesterday as the ministers of the Quad group of countries unveiled their tariff-cutting deal to the world's press.

But even the most jaundiced veteran of successive "breakthroughs" in the seven-year history of the Uruguay Round of multilateral trade negotiations found it difficult not to be impressed by the package unveiled by negotiators from the US, the European Community, Japan and Canada.

Nobody was hiding the fact that long and difficult negotiations lay ahead before the Quad "market access" pact could be talked into a full trade liberalisation agreement under the auspices of the General Agreement on Tariffs and Trade. But there was a strong sense that the protracted haggling in the early hours of Tuesday morning and the additional negotiations yesterday had brought a qualitative change for the better.

One senior EC negotiator, admitting past doubts as to whether the Uruguay Round could be completed successfully, said: "I am now confident that we can reach a Gatt agreement by the end of the year."

The Quad package envisages substantial tariff cuts for manufactured products, including:

● Complete elimination of tariffs and non-tariff measures in pharmaceuticals, construction equipment, medical equipment, steel, beer and, subject to certain exceptions, furniture, farm equipment and spirits.

The inclusion of spirits among the so-called zero-zero products came after a surprise concession by the Japanese negotiators and should benefit exporters of Scotch whisky to Japan, where tariffs will fall by about Y170 (£1.05) a bottle.

● Harmonisation of tariffs at low rates for chemical products. The negotiators hope further negotiations will lead to more harmonisation in other areas.

● Tariff cuts of up to 50 per cent for "high tariff" products, which carry tariffs of 15 per cent and above. Although there will be some agreed exceptions to this rule, this should be particularly beneficial to European producers of high-quality textiles such as British woollen suits, which should now find the US market more accessible.

● Tariff cuts averaging at least one third for other products. These include wood, paper and pulp and scientific equipment, which some members of the Quad group had unsuccessfully earmarked for zero-zero tariff treatment. Sir Leon Brittan, the EC's chief negotiator, said the tariff-eliminating part of the deal would be especially good for Europe because the EC was a net exporter in all categories of zero-zero products except medical equipment.

In the area of services, progress has been more opaque. The report prepared by the Quad ministers for the G7 summit said there were many existing offers to improve market access for services. These covered sectors such as insurance, banking, securities, construction, distribution, tourism, software and computer services, professional and business services, including consulting, engineering, accounting and legal services.

But the specific commitments to emerge yesterday were vague.

In financial services, the Quad countries promised to "continue their efforts" towards more open financial services markets.

In basic telecommunications the way ahead appeared somewhat clearer. The Quad ministers said they would "pursue a multilateral liberalisation" of the sector within the framework of a draft trade in services agreement and on the basis of a common detailed agenda that they had developed.

Whether the package lives up to the description of Mr Mickey Kantor, the US's chief trade negotiator, as the "biggest tariff-cutting agreement in history" will depend on its successful "multilateralisation" in Geneva.

This is especially true of trade liberalisation in textiles. Mr Hugo Paemen, the chief EC negotiator, pointed out that 70 per cent of US textile trade was with countries other than the Quad group and so further negotiations in Geneva with other Gatt partners would be vitally important for this sector. It was clear yesterday that the participating countries had shown considerable goodwill to bring about the pact.

The agreement to include spirits in the products exempted from tariffs was decisive for the success of yesterday's talks and possible only because Japan abandoned a long-held stance.

The concession followed the intervention of Mr Kiichi Miyazawa, the Japanese prime minister. The issue had been a major obstacle in Tuesday's late night negotiations and was resolved only after he ordered that spirits be included in the zero-zero group. The US also made significant concessions on textiles.

Sir Leon pointed out that eliminating tariffs on steel would need not just completion of a Multilateral Steel Agreement but also settlement of the current anti-dumping dispute by which the US has imposed penal tariffs on certain steel imports.

A key attraction of making market access the focus of the trade negotiations ahead of this week's summit was the idea that a tariff-cutting initiative would be easily understood by voters as leading to more growth and jobs. Yesterday, G7 spokesmen were quick to claim that the Quad agreement would boost employment. The US said it could eventually add perhaps 2m jobs worldwide while British officials predicted 400,000 new jobs in the UK over 13 years.

But, even if the Uruguay Round is successfully completed by the end of this year, it will still be some time before the full effects of yesterday's advance on trade liberalisation is felt by business and consumers.

Mr Paemen explained that it would take five years before the tariff cuts could be implemented for most products and longer for chemicals.

Accord fixes agenda for global talks

GENEVA TALKS

By David Dodwell, World Trade Editor

IT IS a matter of conjecture whether yesterday's breakthrough in trade talks between the world's leading industrial powers had the force of an historic "preliminary agreement" – as Mr Mickey Kantor, US trade representative, would have it – or was no more than a "report that sets out the terms for future negotiations and objectives" – as coy French ministers insisted.

What is less debatable is that it has enabled trade negotiations to resume next Monday in Geneva for the first time since December. There, issues can be addressed by all 111 signatories to the General Agreement on Tariffs and Trade, rather than the 15 industrial countries represented by the European Community, Japan, Canada and the US.

Equally clear is that an array of difficult disagreements on trade liberalisation remain to be resolved before any champagne corks can be popped to celebrate a Uruguay Round accord.

In short, deep-seated differences remain over liberalisation of farm trade, trade in textiles, and the opening of markets in Japan and South Korea to rice imports. The long-simmering row over trade in steel products will also be hard to resolve.

The text of yesterday's Uruguay Round report to tha G7 from negotiators in Tokyo stepped discreetly around a failure to reach agreement on trade in services. Officials noted merely that they would "continue to work toward satisfactory solutions" to outstanding differences on reform of trade in financial, maritime and audio-visual services – areas that have eluded agreement for the past two years.

Disputes over proposals to strengthen Gatt rules – most prominently over settlement of trade disputes, the use of subsidies, protection against dumping, and government procurement – bava also been left unattended until negotiations resume in Geneva. Most contentious of all is a dispute over whether Gatt's powers should be increased by transforming it into a multilateral trading organisation.

In Tokyo yesterday Mr Hugo Paeman, the EC's senior trade negotiator, was clear that difficult issues remain. "The most difficult will be to sell [today's agreement] to the other countries," he said, adding that some newly industrialised countries might object to parts of the accord.

The Quad deal would be meaningless without a multilateral Gatt accord embracing all 111 signatories, he said. "Everything is part of one single undertaking."

'Everything is part of one single undertaking'

He was, nevertheless, optimistic about prospects. "Now that this has been done, it's 80 per cent certain that we can end the Uruguay Round by the end of the year."

The task facing Mr Peter Sutherland, now in his eighth day as director-general of Gatt, is daunting as negotiators prepare to try for the fourth time in four years to steer the Round to a successful conclusion.

For Mr Sutherland, a key sentence in yesterday's Quad report sets his agenda for the months ahead. "Snbject to appropriate contributions by other major producers and exporters and satisfactory resolution of specific non-tariff measure issues, we want to build upon existing market access offers contained in our draft schedules of concessions through a comprehensive and integrated approach, recognising the desire of some participants to move further in various areas such as wood, paper and pulp, and scientific equipment," the report says.

'This was the signal needed to relaunch the process'

A priority will be to gather together representatives from all contracting parties to the Gatt next Monday.

The next step will be to prepare an agenda that takes negotiators to a full agreement by a December 15 deadline – when President Bill Clinton's "fast track" authority expires.

It is possible Mr Sutherland will demand the unthinkable: that negotiators abandon long-planned summer breaks during August to ensure progress in the negotiations.

If he balks on this, he has just two weeks now, and then 15 weeks from early September, to resolve outstanding differences.

Mr Sutherland was yesterday relieved by the breakthrough. Late last week he had warned that failure in Tokyo would effectively destroy hopes of completing the Round by the end of the year. "This was the signal thet was needed to relaunch the multilateral process in Geneva," he said. He called on negotiators in Tokyo to return on Monday to Geneva "to inform trading partners... on the details of the agreement they have reached, with a view to building a multilaterally agreed package acceptable to all."

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EC commissioner Leon Brittan (right) with US trade representative Mickey Kantor who described the deal as the "biggest tariff-cutting agreement in history"

Companies welcome export opportunities

UK INDUSTRY

By Our Industrial Staff

THE proposed abolition or lowering of tariffs was welcomed in most sectors of British industry yesterday.

Makers of drugs, textiles and construction equipment said it could lead to higher exports and profits. The beer industry, however, warned it could mean unfair competition.

A producer of construction equipment said: "This gives us room to increase our profit margins or sell 10 per cent more in the US."

Textile industry officials pointed out that the UK has no tariffs on textiles above 15 per cent, whereas US tariffs on UK goods range above 40 per cent. An official said "halving such tariffs would provide significant export opportunities".

The pharmaceuticals industry welcomed the move. Some medicines are subject to tariffs of about 5 per cent into both the EC and tha US. The UK exported £324m of drugs to the US last year, compared with American imports worth £121m.

Imperial Chemical Industries, Britain's biggest chemical producer, said the progress was encouraging but begged a lot of questions.

The company pointed ont that many British companies already had operations in North America and Japan, and would therefore not benefit directly from the reduction in tariffs.

The steel industry was equally cautious, noting that any elimination of tariffs in steel would be subject to a Multilateral Steel Agreement, which is still under negotiation.

However, British Steel, which wants the MSA to eliminate subsidies to steel producers and encourage free trade, said yesterday's announcement meant the MSA was now linked to the Gatt talks more closely than before.

The UK Brewers' Society said the abolition of tariffs on beer could expose EC brewers to unfair competition. This was because EC producers had to pay the price for barley set under the EC's common agricultural policy.

Non-EC brewers were free to buy barley cheaply on the world market.

Kantor puts on the kid gloves to appease US industrial lobby

TEXTILES

By Nancy Dunne in Washington

WHILE sectors like pharmacenticals, steel and spirits were raised specifically in the Quad report to G7 leaders, textiles concessions were handled with kid gloves by Mr Mickey Kantor – in deference to powerful industrial lobbying in the US.

The word "textiles" does not appear in the text of the report. It simply refers to sectors in which tariffs are higher than 15 per cent, and says "we will negotiate the maximum achievable package of tariff reductions, recognising the objective of reaching 50 per cent reductions" – as long as other countries "provide effective market access through tariff reductions and appropriate non-tariff disciplines".

Behind the coded language this is a clear signal to developing countries – in particular China and Taiwan which at present fall outside Gatt disciplines – that a deal on textiles will only be delivered finally when multilateral negotiations in Geneva during autumn coax market opening gestures from them.

Lobbyists for the US textile industry have clung increasingly firmly to their tariff protection as they have begun to come to terms with planned reform of the Multifibre Arrangement, under which quotas will be phased out over a 10-year period.

In a letter to Senator Ernest Hollings, the leading protector of textile interests, Mr Kantor promised not to negotiate a deal that failed to provide US access to developing country markets for fibres, textiles and apparel. "We understand the importance of insisting that those who benefit from the phase-ont of the Multifibre Arrangement must also be willing to open their domestic markets," he said.

Thus the US was constrained in making detailed textiles concessions in the Tokyo talks (and so, incidentally was unable to press hard for gains the US electronics industry wanted). In electronics, the negotiators agreed only tariff cuts of at least a third and possibly a half.

Mr Michael Maibach, government affairs director for Intel, the computer company, said he was "disappointad" but not ready to abandon the zero-zero tariff concept. He was heartened by the possibility of tariff elimination for semiconductor manufacturing equipment, which the EC industry does not oppose.

Biggest impact will be in Japanese market

SCOTCH WHISKY

By James Buxton, Scottish Correspondent

THE Scotch whisky industry reacted with cautious satisfaction to the news that the four Quad members - Japan, the US, the EC and Canada - are to abolish tariff barriers to imports of spirits. For whisky producers the market most affected will be Japan, where high import duties are levied.

There was caution because the removal of import duties appears to depend on the entire Uruguay Round being concluded. Furthermore, the whisky industry is still trying to persuade Japan to end its discriminatory regime on taxing whisky, which is seen as a much bigger impediment to whisky exports than import duties.

The effect of the abolition of import duties will also be felt in the US and Canadian export markets, but duties in these countries are moderate compared with those in Japan. French brandy is another EC product that will benefit.

"This is potentially very good news," the Scotch Whisky Association said yesterday. "It is something we have always sought."

Exports of Scotch whisky to Japan totalled £178m in 1992, amounting to 18.56m litres. Each litre pays about £1 in import duty.

On liquor tax, Japan has been urged to comply fully with a Gatt ruling of 1987 which said the liquor taxation system discriminated against imports. Tax on whisky and brandy is nearly £6 a litre but only 50p on high quality Japanese shochu, a potato-based liquor.

Difficult issues remain to be solved

SERVICES

By Frances Williams in Geneva

THE Quad statement on market opening measures for services makes clear that in this key area of the Uruguay Round negotiations the most contentious issues remain unresolved.

In particular, the United States has not given ground on maritime services – which it wants to exempt from commitments granting equal access to allcomers. Nor have the US and the European Community yet found a way of resolving their differences over audio-visual services, where the EC is seeking exemptions on "cultural" grounds.

In both areas the Quad statement says merely that "we will continue to work toward satisfactory solutions". This is bound to disappoint many countries taking part in the world trade talks in Geneva, notably the Nordic nations and others with important shipping interests.

Elsewhere, the Quad participants report "progress" in liberalising financial services, where Japan's banking, insurance and securities markets have been a target for both the US and EC.

However, tha statement adds, in an implied reference to East Asian countries such as South Korea and Singapore, that the four are seeking "a greater level of commitment from other participants".

In basic telecommunications, the Quad nations have drawn np a "common datailed agenda" for multilateral liberalisation talks involving big suppliers and customers.

The talks, to begin "as soon as possible", would be conducted within the framework of the draft General Agreement on Trade in Services, part of the Uruguay Round package, bnt would extend beyond December when the Round proper is due to conclude.

Negotiations on a sectoral market-opening accord for telecommunications were tentatively agreed by the dozen or so countries involved last year bnt procedural difficulties remain. These include how to handle telecommunications in countries' services liberalisation schedules which, like their complete tariff schedules, will be an integral component of the final Uruguay Round agreement.

Some 60 countries (the EC counting as one), have made services offers.

Structural reforms key to economic revival

IMPEDIMENTS TO GROWTH

By Charles Leadbeater in Tokyo

FINANCE ministers from the Group of Seven countries will today deliver a blunt warning to their heads of states that the world's leading economies face a gloomy future.

A confidential finance ministers' report on structural impediments to growth says average G7 growth rates have fallen from 4.8 per cent in the 1960s to 3.3 per cent in the 1970s and 2.6 per cent in the 1980s. Since 1990 growth in the G7 economies has averaged just 1.3 per cent.

Meanwhile, unemployment has more than doubled from 3 per cent in the 1960s to about 7.2 per cent.

The report, agreed yesterday in Tokyo, warns that unless deeply rooted obstacles are dealt with by etructural reforms, economic growth will remain depressed, unemployment will become a chronic problem and the threat of trade protectionism will grow.

The report says a stable macroeconomic environment is needed to promote growth.

"It is essential for our countries to strengthen their efforts for fiscal consolidation at all levels of government to create room for private investment and keep the stock of public debt manageable."

Monetary policies, supported in some countries by wages and incomes policies, should help keep long-term interest rates low enough to promote investment.

Efforts to make exchange rates more stable will be most successful with close co-ordination of economic policies.

"Structural unemployment has grown while economic growth has decelerated. Macroeconomic policies alone will not be effective in reducing the structural elements in unemployment."

However, in contrast to G7 statements in the 1980s this report does not call for sweeping deregulation to free up markets. Instead it acknowledges an important role for public policy in improving economic performance. It says "well-targeted structural policies" are needed to raise growth. The report's recommendations include:

● The G7 economies need greater wage flexibility. They should move away from income support programmes for the unemployed towards more active policies to strengthen incentives for education, training and job search by the unemployed, particularly the young.

● Elements of social insurance schemes and regulations which unduly discourage employment creation should be re-examined.

● Fiscal deficits must ba reduced over the medium term to generate higher savings and investment, particularly in the light of the costs of pensions and welfare for ageing populations.

● Free trade should be encouraged with the completion of the Gatt trade liberalisation talks.

● The ageing of populations in the G7 countries will require measures to control medical costs, public pansions and other welfare programmes. Labour market reforms to promote work by older workers will also be needed to improve the incomes of the elderly.

● Better control over health-care costs is needed through direct government control over fees paid to hospitals or budget syetems which limit overall outlays.

● The report is cautious about the benefits of financial deregulation. It says this should continue because it has benefited consumers, but policies should also address the risk that deregulation will increase consumer indebtedness and cause wild swings in share and land prices.

● Efforts are urged to reduce subsidies, particularly for producers of traded goods and in export credit systems must be intensified.

● On the environment it calls for the implementation of decisions taken at the Rio de Janeiro Earth Summit last summer.

☐ US emphasises global economy ☐ Summits 'too elaborate' ☐ Indonesia under rights spotlight

Clinton appeals to the Japanese heart

By Jurek Martin in Tokyo

HEADS of government ara allowed to take the high road while mere cabinet secretaries play it rougher. Rarely has this been more evident than in the contrasting performances here of President Bill Clinton and other members of his delegation in their negotiations with the Japanese government.

Yesterday's address at Waseda University saw Mr Clinton at his most uplifting.

'The US and Japan together could help forge a new Pacific community'

He came to praise Japan far more than to berate it for not playing by global trading rules. He also put the case that the interests of the average Japanese and American citizen were, in effect, identical.

The president's theme was "the new global economy" – the sort of catchy phrase in English likely instantly to enter, if it has not already, the Japanese vocabulary.

He defines this as an economy no longer "based on standardised mass production but dominated by an explosion of customised production and services and by a volume of information increasing at an astonishing rate."

This, he noted deferentially, "requires little explanation here in Japan," as the pioneer of Asian modernisation.

But it is not merely this brave new world that Mr Clinton sees as threatened by restrictive Japanese government practices. It is the Japanese consumer who mostly takes it on the chin, Mr Clinton said, prompting a clarion call to the students at Waseda.

"I would send this message to all of you and to the people beyond the walls of this hall. You have a common cause with the people of America – a common cause against outdated practices that undermine our relationship and diminish the quality of your own lives.

"The ideas I propose are beneficial to both of us because they will increase the number and lower the costs of the products you will be able to hoy, the services you are able to access and they will, thereby, reward the work, the education and the skills that you bring to daily lifa here in Japan. You are entitled to no less."

Mr Clinton emphasised the indispensabla nature of the bilateral relationship (subject to some changes) and the extent to which the US and Japan could help forge a "new Pacific community."

The president has been publicly kind to Mr Kiichi Miyazawa, the lame but not entirely dead duck Japanese prime minister, and to the Japanese politicians who have upset the ruling Liberal Democratic Party's applecart.

Mr Clinton and Mr Tsutomu Hata, who has broken away from tbe LDP to form the Renewal Party, were observed comparing notes at a US embassy reception.

Back in the bilateral ministerial trenches, however, less apparent sweetness has prevailed, with one conspicuous, but multilateral, exception.

Mr Mickey Kantor, US trade representative, mentioned Japan's willingness to cut to zero its tariffs on distilled products as instrumental in bringing about the new market access package agreed by the four trade ministers yesterday.

Mr Lloyd Bentsen, the treasury secretary, and his small army of officials continue to insist that quantifiable targets must be agreed with Japan if its trade surplus with the US is to be reduced.

"It won't he easy," he intones for the umpteenth time, yet again marvelling, as any Texan would, how the Japanese can tolerate paying six times as much for a pound of prime beef as Americans do.

One of his senior advisers talks about it being "better to get a good agreement than a quick agreement" and lists the areas in which the US believes the Japanese government "manages" trade – financial services, automobile parts, computers and government procurement.

Leaning on Japan pays off, he argues. Pressure this year has produced a bigger, earlier fiscal stimulus package than anticipated and goes on to make the case for a second pump priming operation this autumn because of new signs that the Japanese economy is back in first gear again.

POINTING THE WAY: President Bill Clinton talks to Japanese premier Kiichi Miyazawa at the G7 summit in Tokyo yesterday

Japanese strip away the pomp and paperwork

By Peter Norman

JOHN MAJOR, Bill Clinton and even François Mitterrand agree on one thing: that the annual Group of Seven summits have become too elaborate for their own good.

The leaders will discuss today the future of the meetings, with some, such as Mr Major, advocating a return to the "good old days" of 1975 when heads of government first gathered out of the public eye for a "fireside chat" on global economic problems without hoards of officials and journalists turning the event into a circus and stoking up expectations.

Already the Japanese hosts of this year's summit have gone a good way to cutting down the element of spectacle. Whereas previously the G7 summiteers happily succumbed to lengthy opening ceremonies, this year's talks began yesterday in a determinedly businesslike manner.

Punctually, at four-minute intervals, the leaders of the US, Japan, Germany, France, Britain, Italy, Canada and the European Community arrived at Tokyo's Akasaka palace and began their talks after no more than a brief handshake with the host, Mr Kiichi Miyazawa.

Further streamlining is promised with a savage attack on the mountains of paper that summits have produced. The political declaration to be issued today will be no more than two pages of text, compared with five last year. The final economic declaration will also be brief compared with the 10-page monster from last year's Munich summit.

Major wants future summits limited to heads of government

Indeed, for the second time this century Munich has become associated with an infamous international meeting. Last year's G7 summit in the city is now considered to have been no more than an expensive photo-call.

Yesterday's progress in the Quad trade talks has probably reprieved the G7 summit as an institution. But after last year's meeting Mr Major suggested to his fellow leaders that future summits be limited to heads of government. A lively discussion is expected.

President Suharto: wants to keep human rights separate from aid issues

US criticises Suharto on rights

By Robert Thomson in Tokyo

PRESIDENT Bill Clinton yesterday warned President Suharto of Indonesia that Washington was concerned abont alleged human rights abuses in East Timor, which was annexed by Indonesia in 1976.

The criticisms came despite the fact that Mr Suharto, in Tokyo as chairman of the Non-Aligned Movement, bad requested that leaders at the Group of Seven summit should not link economic assistance to the human rights issue.

Mr Suharto said his government would welcome an international fact-finding mission to East Timor, where there have been clashes between Indonesian troops and a pro-independence movement.

The Indonesian leader has had a mixed time in Tokyo. On the one hand, attention has been drawn to the East Timor issue. However, Mr Suharto has also been congratulated for his "moderate" leadership of the 108-member Non-Aligned Movement.

Mr Suharto bad hoped to address the G7 summit but had to be content with meeting individual leaders, including Mr Kiichi Miyazawa, the Japanese prime minister, who has agreed formally to convey the movement's concerns to the summit.

Mr Suharto told US and Japanese officials that developing nations did not want to be left out of trade agreements fashioned by the leading industrialised nations.

He also requested increased assistance from developed countries, particularly for environmental protection in countries experiencing rapid economic growth and accompanying severe pollution.

US guidance bemuses Italy

By Robert Graham in Rome

THE ITALIAN press made a meal yesterday of the Clinton administration's spectacular ignorance of Italy's representatives at the Group of Seven summit in Tokyo.

This followed the discovery by reporters covering the summit that the US guidance kits indicated Italy would be represented by President Oscar Luigi Scalfaro – "to be pronounced Skalfaroh." The Italian president, who constitutionally bas no executive authority, never attends such meetings.

Meanwhile, Mr Carlo Azeglio Ciampi, Italy's prime minister and its representative at the summit, was absent from the US guidance. So was Mr Piero Barucci, the treasury minister and Mr Beniamino Andreatta, the foreign minister.

The guidance kit also included a curriculum vitae of Mr Franco Gallo, the finance minister, one of two junior ministers in the three-man government economic team. Mr Gallo was in Rome yesterday and had never been expected to go to Tokyo.

A final curious error. The US hand-out stated that President Scalfaro was the godfather of Mr Bruno Trentin, the leader of the main trade union confederation, CGIL. Ahout the only thing the two men have in common is the Italian language.

Insee statistics institute expects 0.7% decline this year

French output forecast worsens

By David Buchan in Paris

FRANCE'S national output will fall by 0.7 per cent this year and its unemployment rate will rise a further percentage point to hit a level of 12.5 per cent by December, according to a forecast released today by Insee, the official statistics agency.

This estimate is gloomier than that of the government, which earlier this month predicted a 0.4 per cent drop in gross domestic product. Insee also forecast thet traded goods and services (excluding state-provided services) would contract by 1.2 per cent this year, whereas the government expected only 0.8 per cent.

According to Insee, the traded portion of GDP fell by 0.5 per cent in the last three months of 1992, by 0.6 per cent in the first quarter of 1993 and by 0.2 per cent in the second quarter. It predicts a return to stability in the third quarter and growth of 0.2 per cent in the final three months.

The sombre prediction about unemployment has been amply borne out this week by announcements of large scale redundancies at state-controlled companies which are trying to cnt losses before eventual privatisation.

Trade unions at Aérospatiale, the alcraft and defence company, have called a two-hour strike today in protest at a plan to cut up to 1,500 jobs next year following 1,145 redundancies this year.

Mr Bernard Attali, president of Air France, said yesterday the airline might have to increase the scope of the 4,500 redundancies it had already planned for 1991-93. Thomson-CSF, the defence electronics group, said it too was looking at various forms of part-time work, paid leave and early retirement schemes in order to avoid redundancies.

At the same time, Crédit Lyonnais yesterday cast doubt on official estimates of the degree to which the economy will bounce back next year.

The bank forecast growth of 1 per cent in 1994, compared to the 1.4-1.5 per cent estimate from the government and the Organisation for Econonmic Co-operation and Development.

No figure put on aid to Ireland, says Delors

By David Gardner in Brussels

MR Jacques Delors, European Commission president, underlined yesterday that Brussels had not committed itself to any figure in the EC dispute with Ireland over its share of Ecu157bn (£121.36bn) in regional aid.

Ireland at the weakend blocked agreement on rules for the regional programme for 1994-99, holding ont for the I£8bn (£7.7bn) Irish Prime Minister Albert Reynolds said he was promised at last December's Edinburgh summit.

Irish foreign minister Dick Spring is understood to heve rejected an offer of I£7.5bn made by Mr Delors at last weekend's meeting of EC foreign ministers, although some senior Commission officials believe even this figure cannot be justified.

But at yesterday's weekly meeting of the Commission, Mr Delors said no concrete commitment had been made to Ireland, according to a Commission spokesman.

The official said the Commission had discussed the criteria for allocating the regional aid, which would be in the hands of the four commisaioners directly concerned, most prominently Mr Bruce Millan, commissioner for regional policy.

Mr Millan has been pushing for strict application of the allocation criteria decided at Edinburgh, which weigh factors such as regional income, unemployment and size of population, and which by some Commission calculations would give Ireland not more than I£7bn.

Commission officials insisted there had "been no confrontation, big or small" between Mr Delors and Mr Millan, but said the Commission president was irritated by publication of the figures.

Negotiations with Ireland were expected to continue yesterday, with telephone contacts between Mr Reynolds and Mr Jean-Luc Dehaene, prime minister of Belgium, which currently chairs the EC. Mr Delors is expected to contact Mr Reynolds today or tomorrow.

The hope is that the European parliament will accept the framework regulation for the aid package when it meets next week, even though Ireland has affixed a reserve to it. If the parliament does not, it will only come back to it in the autumn, under a lengthy procedure which moreover grants MEPs veto powers.

But if parliament does give its approval, efforts will continue to get an agreement with Dublin before foreign ministers meet in Brussels on July 19.

This will only be possible if Mr Reynolds can get near his I£8bn without subtracting from funds earmarked for the other poor member states to which the bulk of the aid goes – Spain, Portugal and Greece.

Works councils go-ahead likely

By David Gardner

THE stalled EC draft directive to set up mandatory works councils in large trans-European companies is likely to be the first measure approved separately by Britain's 11 partners under the Maastricht social chapter, assuming the treaty is fully ratified in early autumn.

Mr Padraig Flynn, social affairs commissioner, said yesterday that talks in London this week with Mr David Hunt, employment secretary, had failed to produce any change in the UK's attitude.

The 11 who signed the Maastricht social protocol are broadly agreed on the works councils directive, which Britain has blocked for more than two years.

Mr Flynn said the Belgian presidency intended to put the directive on the agenda of its first social affairs council (probably on October 13). "Failing agreement, it is a candidate for the first measure to go through under the protocol."

He is understood to have been seeking some signs of flexibility from Britain on works councils in exchange for concessions in other areas of EC social policy.

Under the directive, companies employing more than 1,000 workers in more than one member state, and with more than 100 employees in at least two of them, would have to set up elected works councils, and consult them on jobs changes, new technology, investment and relocation plans. Though there is provision for workers and employers to make their own arrangements, the UK opposes making consultation obligatory.

But because British companies in continental Europe would be among those most affected, even if only 11 states adopted the directive, the UK had appeared until now to be keeping its options open, negotiating clause by sub-clause on the measure.

Caterpillar accused of EC law breaches

By Andrew Baxter

CATERPILLAR, the world's largest construction equipment group, faces European Community fines for alleged "serious infringements" of EC competition laws by restricting parallel trading in machinery and parts.

The European Commission's DG IV competition directorate claims Caterpillar has used discriminatory pricing and other means to discourage parallel trading, in which independent resellers buy machinery or parts in a low-price zone and sell in a high-price area.

Caterpillar is contesting the allegations.

The EC document says Brussels "intends to require Caterpillar to put an end to these infringements". However, no final decision has been taken, and a DG IV official said the *case was still under review.*

The case arose from a series of complaints made to the Commission over the past few years by independent resellers, including Seymour Equipment Services of the UK, and Johannes Rosendahl of Germany.

According to the EC document, the complaints were "addressed against alleged export bans, and against refusals to supply machines and parts and measures taken to ensure that Caterpillar's dealers in their turn refuse such supply".

It says the agreements notified by Caterpillar to the EC and the general policy of the Illinois-based company and its distributors "lead to a complete orchestration of international trade in Caterpillar's construction machinery and parts".

Parallel traders cannot obtain these goods for third states, it claims. "If they succeed in obtaining and exporting the goods, they are blacklisted and are excluded from all trade, including trade between member states."

Caterpillar cannot be fined for any agreements it has notified to the EC, but the DG IV document says the company's 1990 guidebook, Export Parts Policy, was never notified.

The prohibition on sales to end-users exporting for use outside the EC and other procedures contained in the guidebook "go beyond the scope of the earlier notified agreements and associated letters," says the EC.

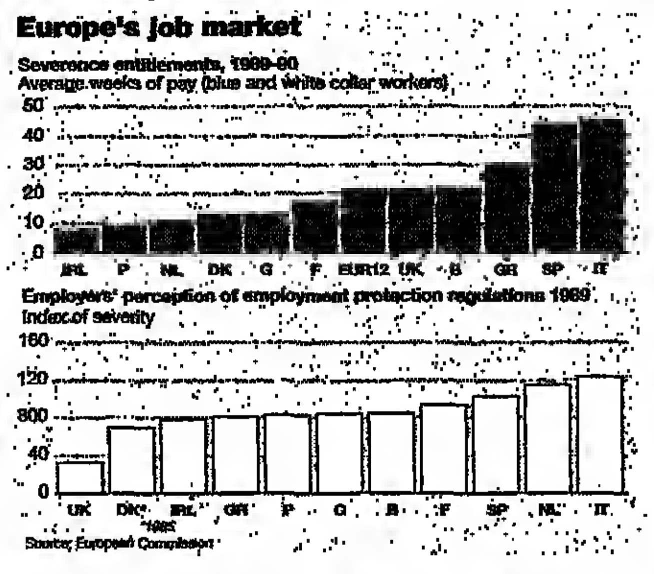
Caterpillar said yesterday it *was preparing its response to* the Commission's objections. "But, based on the opinion of our legal counsel, Caterpillar believes it has strong defences to each allegation set forth in the statement of objections. In our *opinion, Caterpillar's dis*tribution practices comply with Community law."

Mr Timothy Trott, general manager of Seymour Gronp, said he was very pleased by the EC'e stance. If confirmed, the *Commission's* decision would make it much easier to exploit price differences in different markets, within and outside the EC.

For example, he said, there was a huge differential in Greece. "We could buy machinery and parts in the UK, ship them to Greece and still undercut the local dealer. At the moment, we're completely barred."

EC employment creation is no easy job, says Brussels report

By David Goodhart, Labour Editor



CREATING jobs in Europe is not just a matter of growth, according to a European Commission report published yesterday.

While few countries have succeeded in increasing employment without a healthy increase in output, the relationship is not at all uniform, says the Commission's fifth report on Employment in Europe. High-growth Spain and Ireland have both performed poorly in job creation, it says. France and Italy, too, have been above average on growth but below average on employment creation.

The report – written by officials in Directorate General 5 – is an ambitious attempt at a comparative labour market analysis which underlines that there are no easy answers to the EC's manifest failure to create jobs. But describing the great diversity of practice and outcome within the EC's labour markets "can be used to develop more effective measures and programmes of action", claim the authors.

The report's publication could scarcely be better timed, given the recent launch by Brussels of a debate about unemployment and job creation across the community.

The report's authors start by setting the scene with the familiar but depressing facts of EC employment: the proportion of the working age population in employment has fallen in the past 20 years while it *has been rising sharply* in most of the rest of the industrial world; during the EC jobs boom of the second half of the 1980s only about a quarter of the new jobs went to the unemployed; and in 1991, 45 per cent of the EC unemployed had been out of work for more than a year.

But the regional variations in unemployment are extreme, ranging from less than 5 per cent in parts of southern Germany, northern Italy and northern Portugal to rates of more than 20 per cent in parts of Spain, Ireland and southern Italy.

The two most original chapters of the report concern labour costs and employment protection. Taking average hourly labour costs in manufacturing, Germany is 15 per cent higher than the next country, the Netherlands, which is bunched together with Belgium, France, Denmark and Luxembourg.

Italy is 5 per cent below them and roughly at the EC average while the UK is placed 25 per cent below that average and only just above Spain and Ireland. Average hourly labour costs in manufacturing are six times greater in Germany than Portugal.

These large differences are closely linked to differences in productivity, say the authors.

Indirect labour costs vary considerably from 30 per cent or more in France, Italy and Belgium, to 13 per cent in the UK and 3 per cent in Denmark.

The authors say that cutting such indirect costs to employers would not necessarily make countries more competitive as either the state or the individual employee would have to take on more of the burden of, say, health care, which would place upward pressure on wage costs.

But the report does say that excessive non-wage costs push more employees into the black market.

Wages adjust to changes in employment levels only very slowly, says the report, pointing to Germany where Hamburg has the second-highest unemployment level in the country but by far the highest labour costs.

Restrictions on firing workers divides the EC into three groups: Denmark, Ireland and the UK have the least restrictions; *Greece, the Netherlands,* Italy, Portugal and Spain, have the most restrictions and Belgium, France and Germany are somewhere in between.

Despite the fact that direct severance costs are third highest in Spain, behind Italy and Greece (the average cost of firing someone in the EC is 22 weeks pay), Spanish workers have the highest risk of involuntary redundancy.

That is because there is has been a sharp increase in the use of temporary contract work in some high regulation countries such as Spain and Portugal. In Spain the proportion of employees on temporary contracts increased from 16 per cent in 1987 to 32 per cent in 1991. And in France most new recruits now start on part-time contracts.

EC surveys of employers' perceptions of labour protection placed Italy at the top followed by the Netherlands, Spain, France and Belgium.

There has been some pattern of liberalisation in recent years and the report concludes that the link between employment protection and job creation is complex.

The highest protection is found in the southern member states (Italy has the most highly-regulated market in the Community) which also, however, have the lowest labour costs. And in the high-protection northern states some of the costs are cancelled out by generous state aid to employers for restructuring.

Reinforcements head towards Sukhumi, the capital of the Black Sea region of Abkhazia where fierce fighting is continuing between Georgian forces and Abkhazian rebels. Mr Eduard Shevardnadze, the Georgian leader, yesterday said the war was entering its most violent phase

Yeltsin to get power to agree credit terms

By John Lloyd in Moscow

THE Russian parliament yesterday sent Mr Boris Yeltsin on his way to the Group of Seven meeting in Tokyo by proposing a decree giving the president power to agree on the terms of foreign credit.

The resolution, proposed by Mr Sergei Mikhailov, deputy chairman of the foreign affairs committee, and a hardliner, also set out thet any new obligations had to be agreed in advance with the parliament.

Despite parliament's unremitting hostility to the government's programmes and actions, the governmant has continued with its efforts to press towards further liberalisation.

Yesterday, it announced that punitive taxes on sales of oil over the official ceiling of Rbs4,000 a tonne would be lifted, theoretically allowing any price to be set. However, domestic industry will exert pressure which is likely to ensure that the price is still kept lower than world levels. To further cloud the price lifting, there was doubt whether the decree abolishing taxes had received final approval.

The government yesterday also stressed the success of its anti-inflationary policy. Inflation has fallen to around 15 per cent a month from around 30 *per cent earlier this year.*

Separately, the ronble appears to have stabilised at around 1,100 to the dollar. Mr Boris Fyodorov, the depnty prime minister in charge of finance, optimistically predicts that inflation will continue to decline and that the rouble rate will be held for some time.

In an interview in the daily Nezavisimaya Gazeta yesterday, Mr Fyodorov pressed the case for Russia to join the G7 and said that the responsibilities of reform rested with Russia. "We maintain the firm position thet we do not ask for any help. We do not need anything free of charge. Credit, yes, we will take what we need and we will not take what we do not need," he said.

President Lennart Meri yesterday asked the Estonian parliament to reconsider and amend a contentious aliens law that has strained relations with Moscow and angered *ethnic Russians here*, write Matthew Kaminski in Tallinn and Anthony Robinson in London. The Council of Europe has criticised the proposed law as failing to give minorities the level of protection laid down in the European Convention of Human Rights.

The law requires a language test for Estonian citizenship, a clause which excludes most Russians, around 40 per cent of the population.

The president's move came shortly before the Estonian Defence Force headquarters claimed that Russia had begum concentrating troops across the river from Narva, the *Russified eastern border city*. The Russian parliament voted last week to impose economic sanctions and halt troop withdrawals from Estonia, fanning Estonian fears that Moscow wants to turn Estonia *into another Transdniestr*, the contested region bordering Romania.

Estonians are also nervous about a decision by ethnic Russians to hold a referendum on regional autonomy on July 16 and 17 *in Narva and the* nearby town of Sillamae.

Kravchuk gets more hawkish on N-weapons

By Chrystia Freeland in Kiev

UKRAINIAN President Leonid Kravchuk said yesterday Ukraina should claim ownership of the nuclear weapons on its territory.

The statement suggests that Mr Kravchuk, who in the past has blamed Ukraine's failure to ratify disarmament treaties on a hard-line lobby in parliament, is shifting to a more hawkish stance on the nuclear issue.

On Friday parliament declared the 176 intercontinental ballistic missiles stationed on Ukrainian territory to be national property.

American officials in Tokyo for the G7 summit yesterday voiced concerns that the legislature's decision was another instance of Ukrainian foot-dragging on disarmament, but they said they were reassured by Mr Kravchuk's continued commitment to ratification of *the Strategic Arms Reduction* Treaty (Start 1) and accession to the nuclear non-proliferation treaty (NPT).

However, Mr Kravchuk's comments could begin to erode his carefully constructed image of a dovish leader under siege from a hard-line legislature.

While that perception has eased Mr Kravchuk's relations with western leaders, it could be a liability for the president in the national referendum *scheduled for September 26.*

"My feeling is thet it should be set down that Ukraine must be the owner of nuclear weapons on its territory pending their destruction," he said at a meeting with collective farm chairmen.

Ukraine should, however, abide by its pledge to become a non-nuclear state and ratify the Start 1 and NPT treaties, he said.

German waste management chief defends stance on plastics

Recycling 'economically sound'

By Ariane Genillard in Bonn

MR Wolfram Brück, chief executive of Duales System Deutschland (DSD), Germany's national waste recycling venture, yesterday defended the country's waste management scheme.

Mr Brück said that DSD had conducted its own studies and could prove that plastics recycling was economically and environmentally efficient. The survival of DSD depends on the controversy regarding recycling plastics.

Germany, which has some of the strictest environmental laws, is currently rethinking *the high recycling quotas it is* imposing on plastics packaging collected by DSD.

The federal environment office, the principal think-tank behind environmental policies in Germany, is conducting a study on whether plastics should be incinerated rather than recycled and what is to be done with the 280,000 tonnes of plastics packaging for which there are no recycling facilities in the country.

The problem of plastics waste disposal has become all the more urgent in recent months following bitter attacks from France and the UK against German waste exports. *France has* threatened to ban imports of German waste.

Mr Brück pointed out the two plastics recycling methods – hydrogenation and gasification – used in Germany.

Both *methods, which consist* of burning plastics and re-using the energy for oil refineries or power plants, are environmentally controversial. Many claim that the net effect on the environment is not positive because a high amount of energy is used to burn the plastics.

● Germany's federal environment minister, Mr Klaus Töpfer, yesterday also defended Germany's recycling scheme, adds Tim King in London.

Mr Töpfer was speaking in London at the launch of a two-day seminar on Britain, Germany and the new environmental agenda. He suggested *the key to improving environ*mental performance was to create, either by regulation or price, bottlenecks in the market.

Excess of packaging waste amounted to a bottleneck which ha hoped would be solved by technological innovation.

There was now a stimulus for new technological processes, he said.

Europe becomes flashpoint for increase in armed conflicts

By Karen Fossli in Oslo

IN the new world order, Europe, a region with virtually no military conflicts during the Cold War, has become its main arena. In contrast a number of protracted conflicts in Africa are ending and in Central and South America *they are declining* in number.

According to the report, "Armed Conflict at the End of the Cold War, 1989-92", by the Oslo-based International Peace Research Institute, the number of global armed conflicts – particularly minor ones – increased in 1992, while the number of major conflicts remained virtually unchanged.

During the four-year period ending in 1992, a total of 82 armed conflicts in 60 locations involving at least 64 governments were identified in the report. The most marked shift *in the location* of armed conflicts is that Europe has again become a major arena. An escalation of conflicts outside Europe has not occured.

The number of armed conflicts in Central and South America has decreased, creating fragile but still less violent conditions. In Africa, solutions have been found, notably in Western Sahara – but not without setbacks, as in Angola.

The report warns that the pattern of 1992 – the only clearly post-Cold War year – augurs badly for the future with a *sharp rise* in minor armed conflicts.

WARS IN THE WORLD
Number of armed conflicts by level of activity

	Year '89	'90	'91	'92
Minor armed conflicts	15	16	15	22
Intermediate armed conflicts	14	13	13	12
War	19	19	20	20
All armed conflicts	48	48	48	54

Source: Wallensteen/Axell

The report defines armed conflicts as contested incompatibilities which concern government and/or territory where the use of armed force by two parties, of which at least one is the government of a state, results in a minimum of 25 battle-related deaths during one year.

It says that during the four-year period, over one-third of all United Nations member governments were directly involved in at least one armed conflict. Of the 82 armed conflicts, 35 were recorded as wars, *resulting* in at least 1,000 battle-related deaths in a single year. The report estimates more than 70,000 battle-related deaths occurred in 1992 alone while for the four-years the number of deaths is likley to run to six digits.

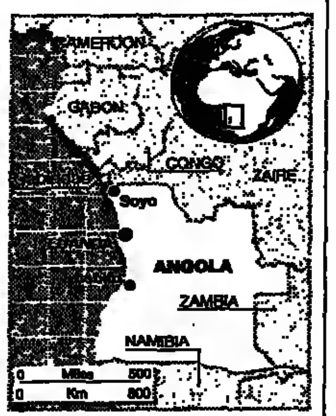
Last year the number of minor armed conflicts showed a clear increase as the number of intermediate armed conflicts – the more protracted ones – slowly decreased. During the period the number of wars increased slightly. The number of major armed conflicts *remained virtually* unchanged. The report says the increase in low-intensity conflicts in 1992 may signal future protracted conflicts. Some, including those to Georgia and Moldova, are likley to intensify.

"Nevertheless the number of wars has been kept at a lower level – suggesting that the international community has at least some capacity to contain conflicts. The number of protracted conflicts testifies, however, to the inability to find lasting solutions to well-known conflicts." The report notes a clear increase of armed conflicts in Europe. In 1989 there were two conflicts, one new and very brief (Romania) and on very old and protracted (Ireland). "Since then new conflicts have been added continuously."

● *"Armed Conflict at the End of the Cold War, 1989-92 By Peter Wallensteen & Karin Axell, Department of Peace and Conflict Research, Uppsala University.*

Angola to go ahead with oil contracts

By Deborah Hargreaves



THE ANGOLAN government is ready to award two new contracts for oil exploration shortly in spite of the country's civil war and disrupted production.

Ms Albina Africano, the country's energy minister, said western oil companies were preparing to invest more than $1bn in oil exploration.

The country was plunged back into civil war after election results which returned President José Eduardo dos Santos and his MPLA government to power were rejected by the rebel movement Unita.

In May Unita captured the oil town of Soyo where they destroyed oil storage facilities and halted onshore oil production.

"They've completely destroyed Soyo, everything has been blown up," Ms Africano said. Onshore oil output of 30,000 barrels a day (b/d) has been stopped since January and some offshore production has been suspended because of the destruction of Soyo's storage terminal.

Ms Africano in London for meetings with the British government in an effort to persuade ministers to put pressure on Unita to return to the negotiating table, said 60,000 b/d of offshore output had been halted, but she was confident that this could be resumed within months, if storage facilities offshore could be expanded. Angola is producing 453,000 b/d compared with capacity production of 550,000 b/d.

The rebels have shot at the oil platforms 70km offshore, but Ms Africano said the western oil companies have been given military guarantees they will be protected as effectively as possible. "The situation is more stable than it appears, the future investment plans of the oil companies show they still have confidence in the country," she said.

Chevron, Angola's largest operator is investing $500m in development of oilfields in Cabinda, and Elf, the French energy company, plans to put $1bn into expanding its own production.

Ms Africano said the government hoped to sign a contract by September, giving Exxon, the US oil major, and British Petroleum deep-water exploration acreage. Exxon will be the operator on the 4,500-square km block with BP holding 40 per cent of the interest and Agip, Italy's resources company, having a minority interest.

Royal Dutch/Shell has recently been awarded another deep water block and Ms Africano said a group of companies led by Chevron and including Total and Agip would be awarded another deep-water block in August.

Mieno doubts signs of recovery in Japan

By Robert Thomson in Tokyo

MR Yasushi Mieno, the Bank of Japan governor, yesterday warned that the Japanese economy has yet to hit bottom, as there is no evidence of a recovery in personal consumption and corporate capital spending.

His comments stimulated speculation in the country's financial markets that the official discount rate, now at 2.5 per cent, will be cut soon after the July 18 general election.

Meanwhile, Mr Lloyd Bentsen, the US Treasury secretary, said the Japanese government should further stimulate internal demand to quicken the domestic recovery and assist the world economy.

Referring to a Y13,200bn (£82bn) stimulatory package announced in April, Mr Bentsen said Japan had "made a start", but must do more to encourage economic growth and reduce its still expanding current account surplus.

However, Mr Mieno said Japan had "done everything possible" to stimulate growth and the positive effects would be seen in the longer-term. He suggested that a rush to cut the external surplus could create inflation and damage the Japanese economy.

Mr Mieno was speaking after a two-day meeting of the bank's regional branch managers, who complained that the benefits of the yen's recent appreciation had yet to be passed on to consumers, while export-oriented companies are under increasing pressure.

The gloominess of the branch managers has tempered the bank's expectations of a recovery this year, and Mr Mieno admitted yesterday that business sentiment could be damaged by continuing political instability.

Japan's ruling Liberal Democratic party is expected to lose its majority at the election, leading to a coalition government, which may have a limited life. There is a growing expectation that another election will be called within a year.

The bank has toned down its forecasts for the strength of the expected recovery from "modest" to "very modest", suggesting the continuing falls in personal consumption and capital spending have come as a surprise.

60,000 join strikes against Hyundai

By John Burton in Seoul

Striking Hyundai workers gather in a demonstration in the South Korean city of Ulsan yesterday

A GENERAL strike yesterday at Hyundai group factories raised concerns that the labour dispute at South Korea's largest conglomerate could affect the nation's economic recovery.

About 60,000 workers at eight Hyundai subsidiaries, including its large car and shipbuilding companies, escalated their industrial action by staging an one-day strike after conducting partial walkouts since mid-June.

The trade unions were debating last night whether to continue their general strike or revert to walkouts, which have already cost $300m (£198m) in lost sales for Hyundai.

The workers are seeking pay increases above the 4.7 per cent rise offered by Hyundai. Wage growth at Hyundai last year averaged 16 per cent.

The government wants to limit pay rises in the big industrial groups to about 5 per cent this year in a bid to restore the country's competitiveness, which has been harmed by high wage increases since democracy was introduced in 1987.

The Hyundai workers are also demanding the company accept Hyundchongryong, an alliance of the Hyundai trade unions, as legal representative in all labour talks. This is likely to strengthen the workers bargaining position. Hyundai now holds separate negotiations with individual company unions within the group.

The government fears that a lengthy strike at Hyundai could affect exports since the industrial group is the country's biggest producer of autos and ships.

The government yesterday ordered the arrest of four Hyundchongryong officials for their role in the strike.

But concerns that the Hyundai labour dispute could spread to other industrial groups appeared to be receding. A threatened strike at Daewoo Shipbuilding and Heavy Industries was averted after workers accepted a 4.7 per cent pay offer.

Workers at nine of Hyundai's 33 companies have also accepted similarly modest wage rises.

The government reported that about half of the wage negotiations in the country's 5,500 leading companies have been settled for this year. Officials also report that the number of industrial disputes have fallen by 53 per cent.

Reprieved Sharif faces new perils

Farhan Bokhari interviews the beleaguered Pakistani prime minister

Sharif: hard choices

MR Nawaz Sharif, Pakistan's prime minister, is battling to survive in office six weeks after his remarkable political comeback.

Sacked by President Ghulam Ishaq Khan on April 18 and re-instated by the supreme court on May 26, Mr Sharif is trying to rebuild his relationship with the president, one of his political mentors. They became foes as Mr Sharif tried to reduce the president's powers. Mr Khan's attempt to dismiss him on grounds of corruption and mismanagement was ruled illegal by the court.

"I have never allowed considerations of personal ego or personal preferences to guide my relations with other office holders such as the president," says Mr Sharif in an interview. "It is now up to the other side to adjust accordingly to the situation that has emerged after the restoration of the national assembly and my government."

In recent weeks, the leaders have had two meetings, their first for two and a half months. Mr Sharif's hope that they will lead to an improved working relationship is already being put to the test.

Last week the president demanded an explanation from Mr Sharif for his declaration of federal rule in Punjab province. The provincial governor, loyal to the president, had dissolved the Punjab assembly. A similar power struggle is taking place in North Western Frontier Province.

Fears of intervention by the army were raised last week when General Abdul Waheed, chief of army staff, advised Mr Sharif either to end the deadlock or call fresh elections. However, most western diplomats and senior officials discount the possibility of direct army rule or martial law.

Mr Sharif says: "On account of past experiences, many people often express unholy fears and needless concerns regarding the role of the army, although the army has played a most commendable role of remaining neutral during the recent political crisis.

"I have no doubt that in the future, the army will continue to remain above the political fray and pursue a role of neutrality and not taking of sides in national politics."

Mr Sharif has been trying to woo the opposition parties, saying that a better understanding between them is necessary to avoid any possibility of another military coup.

"Our politics has suffered in the past due to confrontation," says Mr Sharif. "In the ultimate analysis, it is the anti-democratic forces who benefit..."

Mr Sharif has failed to find common ground with the opposition People's Democratic Alliance, led by Ms Benazir Bhutto.

Ms Bhutto, in a meeting with Mr Khan yesterday, urged the president to dissolve the lower house of parliament, the national assembly, sack Mr Sharif's government and hold fresh elections.

"A call for fresh elections is premature since at this point in time, such a call will aggravate political instability and political uncertainty," says Mr Sharif.

Some ministers say privately that he will be open to calls for elections once the president has reached the end of his term in November. (Mr Khan has not yet made clear whether he intends to stand for re-election.)

While political stability is top of Mr Sharif's agenda, he also recognises the need to make further progress with economic reforms. The budget deficit for 1992-93 was a record Rs95bn (£2.4bn), compared with a target set last year of Rs65bn. Part of the problem is the size of the defence budget and the cost of debt servicing, which together accounted for Rs189bn of the total budget of Rs305bn for 1992-93.

Mr Sharif's future will depend on how he tackles the hard political choices and economic realities. His performance at home could determine the course of democracy in a country gradually overcoming its bitter legacy of military rule. He is hopeful: "I will try and to put the country back on its democratic path. There are certain difficulties, there are certain problems in our way, but I hope these difficulties and problems will be overcome very soon."

Hurd to seek HK talks progress

By Simon Holberton in Hong Kong and Alexander Nicoll in London

MR Douglas Hurd, Britain's foreign secretary, arrives in Beijing today for discussions with Mr Qian Qichen, his Chinese counterpart, in an effort to give talks about Hong Kong's political development a fresh impetus.

The meeting of the two foreign ministers, scheduled for tomorrow morning, follows high-level talks in London last week about Hong Kong policy and the appointment of Mr Qian to head a group charged with studying issues related to the colony's reversion to Chinese sovereignty in 1997.

Mr Hurd, who said last week that he would make no new proposals is expected to underline Britain's desire to reach an agreement with Beijing on the terms of Hong Kong's 1994 and 1995 elections.

He will make plain to Mr Qian that the principles enunciated by Mr Chris Patten, Hong Kong governor, for fair and open elections are British government policy, and that the time for discussion between the two governments is not unlimited and that laws for the 1994-95 polls need to be enacted in the near future.

British and Chinese officials have had seven rounds of talks in Beijing on Hong Kong's constitutional development since April. Mr Hurd said: "Progress has been slow – I must say slower than we would wish."

But he said most of the groundwork had been done and that Mr Patten had suggested a meeting between the two foreign ministers.

Britain's objective in the talks, which Mr Patten characterises as his "bottom line", is to secure a broadening of the electoral franchise for the representatives that will sit in the 1995 Legislative Council, Hong Kong's law making body. The UK also wants China to define the criteria of a "loyalty test" it will apply in 1996, to those elected a year earlier, to assess their fitness for office after 1997.

Amnesty says rights abuses are increasing

THE TURMOIL which replaced the iron hand of Communist rule in parts of eastern Europe and the former Soviet Union brought with it severe human rights violations last year, Amnesty International said in a report released today, Reuter reports from London.

The pressure group said in its annual world report that 1992 "was an appalling year for human rights in Europe".

Right around the globe, killings, torture and ill-treatment persisted with few signs of improvement, it found, with "governments continuing to put politics before people's lives".

The London-based organisation said: "There are thousands of stories in this 350-page report of people whose lives have been destroyed by state persecution and injustice."

Amnesty said it feared the first United Nations human rights conference for 25 years, held in Vienna last month, would do little to help victims.

"When we compare the fine speeches and final document with the damning evidence of political repression in this report, it is clear governments have yet to prove the world conference will make a difference to the lives of people around the world."

During 1992 prisoners of conscience were held in at least 62 countries, police in more than 110 states used torture and 45 governments killed opponents and "troublemakers" for political reasons.

Listing gross violations, it said conflict brought carnage and appalling abuses in ex-Yugoslavia and Somalia and killings and mass arrests in Egypt, Algeria and Israel.

"In e largely unreported civil war in Tajikistan, officials estimated that 20,000 people had died by the end of 1992 and unarmed civilians were deliberately killed," it said.

Torture and rape of prisoners mainly from poor or vulnerable backgrounds were widespread throughout India.

Amnesty, which opposes the death penalty, said 31 prisoners were executed in the US, more than double the previous year. 65 were publicly beheaded in Saudi Arabia and more than 1,000 people were executed in China. In Latin America, "social undesirables" and indigenous people were killed or persecuted along with political opponents.

The report said governments around the world still showed blatant hypocrisy on human rights issues.

Pay strike hits civil service

By Our Foreign Staff

MORE THAN 50,000 Israeli civil servants began an open-ended strike yesterday, demanding pay rises of 35 per cent spread over the next three to four years.

The strike hit government offices, ports, state television, the rabbinical courts and hospitals, although essential services were maintained.

Prime Minister Yitzbak Rabin said that, while he had some sympathy for the lowest paid workers, the wage demands were too high to contemplate. His finance minister Mr Abraham Shochat termed the strike "unnecessary", claiming that e solution could have been negotiated without such action.

But representatives of the four unions involved – which have agreed among themselves not to return to work until their demands are met in full – said that they had been trying to negotiate for the past six months, to no avail. They noted teachers had won 30 per cent pay rises earlier this year after resorting to strikes.

Mr Shochat said that to bow to the strikers' demands would inevitably push up unemployment, which runs at 11 per cent.

Gazans grapple with economic despair

Julian Ozanne looks at the downward spiral of Palestinian living standards

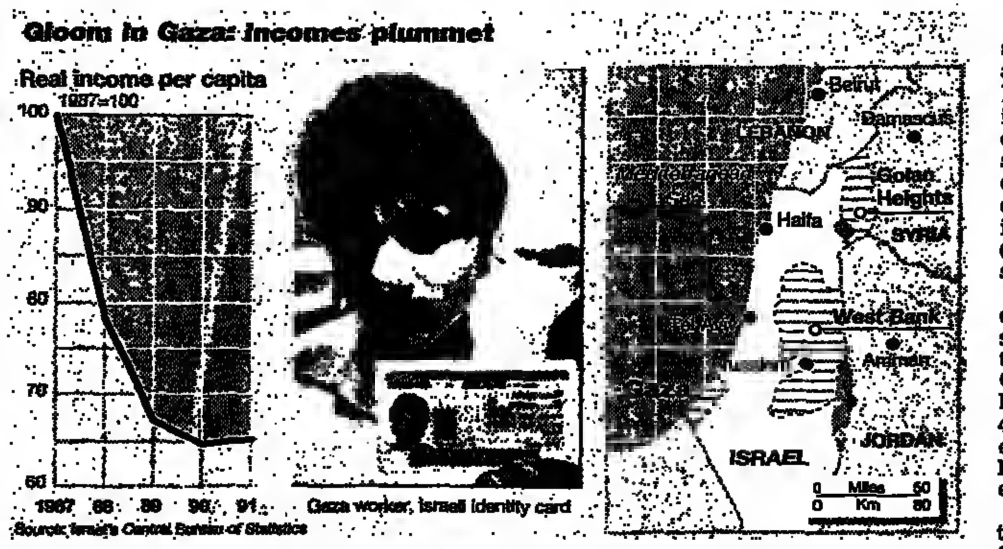
SAMI Haddad is a skilled carpenter who sweeps the rubbish-strewn streets of Gaza for $9 e day. Like thousands of other Palestinians in the Israeli-occupied Gaza Strip, Mr Haddad and his family of eight became impoverished overnight when in late Marcb Israel sealed-off the occupied territories and restricted labourers travelling into Israel.

Now Mr Haddad is part of a temporary public works programme initiated by the Israeli military-run civil administration. To many Palestinians, the programme is e further slight on their dignity and a vain attempt by Israel to defuse rising anger among the 780,000 refugees and residents who inhabit the economically decimated strip.

"It's nonsense work," said Mr Haddad. "Each day we sweep the dirt into piles and next day it blows back into the street. But what can I do? I must work just to feed my family." Per capita income in 1991 was $1,300 (£867) – a fraction of Israel's $11,000.

The long-suffering economy has suffered e lack of job-creating investment, restrictive trade with Israel, annual population growth of 4.7 per cent and a fewer migrant labourers working in Israel.

Gloom in Gaza: Incomes plummet



Source: Israel's Central Bureau of Statistics

The closure has exacerbated the crisis. "At one blow we lost jobs and our markets in Israel and the West Bank. The closure is an economic war against the Palestinians," said Mr Mohamed Qudwa, chairman of the Gaza Chamber of Commerce.

In the fruit and vegetable stores of Gaza prices have plumeted. The price of a 17kg box of tomatoes has fallen from Shk20 (£4.8) to Shk2.5 since the closure and a 11-12kg box of aubergines is down from Shk15 to Shk1. Some Gazan farmers are leaving their produce to rot in the fields rather than pay to harvest the crop.

Shops have eitber closed down or been forced to extend credit for basic food items. Factories and businesses beve scaled down production and laid off workers as the export market was frozen and the domestic market shrunk.

Mr Nasser Sarraj, of the Gaza Union of Industrialists, says his members have lost up to $80m since the closure.

Ordinary Palestinians in the towns and sprawling refugee camps have been forced to rely on extended families and meagre savings. But these resources are running out.

A draft report by Oxfam, the British charity, has warned of the prospect of hunger unless urgent action is taken. "Deterioration will continue and the situation cannot be stabilised unless there is a massive and continuing injection of funds to lift overall purchasing power," Oxfam says.

The closure of Gaza, eased slightly in recent weeks, has also focused attention on the long-term economic situation in the strip. Although the per capita income of Gaza grew substantially after the 1967 occupation by Israel as a result of access to the Israeli market, it fell sharply after the intifada (uprising) in 1987 and declined steadily thereafter.

The economy was battered during the Gulf war. Israel sealed-off the territories after the Palestinian Liberation Organisation (PLO) backed Iraq, and Gulf states expelled 400,000 Palestinian guest workers, tens of thousands of whom had been remitting substantial earnings to relatives in Gaza.

Most of the workers returned to Gaza with no prospects of finding work. For decades, Gaza has been starved of investment. Wealthy Palestinians shied away because of the security situation and fears of being accused of collaboration.

Israel also restricted Gazan exports to Israel, especially agricultural produce, and has banned certain industries such as food processing to protect Israeli producers. Gaza's producers, who import 96 per cent of their raw materials from Israel, also suffer from excessive import tariffs and taxes levied by Israel without reaping the benefit of import substitution.

In most years there has been a net capital flow from Gaza to Israel. Income tax and VAT collected in Gaza accrues to the civil administration but import taxes and VAT paid on imports from Israel accrues to the Israeli treasury.

Professor Ephraim Kleiman of the Hebrew University estimated in 1987 the net flow of tribute capital from all the occupied territories into Israel was about $180m.

In the past two years, Israel has begun changing its policy. It has encouraged more investments, reformed taxation, raised its investment budget in the territories and subsidised direct exports, like tomatoes and strawberries, to foreign markets. Bnt even the civil administration concedes the present level of investment is inadeqnete compared to the massive need.

Gaza will continue to depend on Israel for migrant employment, imports and exports, at least in the medium term.

Billions of dollars of foreign investment, e relaxation of Israel's discriminatory trade and tax regime, and regional integration will be vital to the economy and its burgeoning, malcontented population.

NEWS: THE AMERICAS AND WORLD TRADE

Politicians on all sides court enduring Perot

By George Graham in Washington

WASHINGTON politicians wish that they could close their eyes and make him disappear, but Mr Ross Perot shows no signs of obliging.

Instead, both parties have set their best minds to work on devising strategies of enlisting support from the mercurial Texas billionaire and his rebellious supporters.

Several Republican members of Congress have joined United We Stand, the supposedly non-political Perot organisation, and others are jostling for space on the same public platform with him.

Mrs Kay Bailey Hutchison, the newly elected Republican senator for Texas, won Mr Perot's endorsement during her campaign – carefully disguised so as not to imperil the tax-free status of United We Stand – and some senior Republican leaders believe that Mr Perot could run for and win their party's presidential primaries in 1996.

Among the Democrats, party leaders are concentrating more on strategies to win over the disgruntled voters who backed Mr Perot last year.

In a study of Perot voters published yesterday, the Democratic Leadership Council, which stands to the right of the Democratic political spectrum, argues that President Bill Clinton must find ways to win support beyond the 43 per cent of the electorate that voted for him last year.

"To expand his base, the president must go bunting where the ducks are. That means targeting the nearly 20m voters who backed Ross Perot in last year's election," said Mr Al From, DLC president.

The DLC study, conducted by the Greenberg Research polling organisation, warned that politicians and pundits have misunderstood Perot voters, who rare often assumed to be principally concerned about the federal budget deficit, which was the subject of many of Mr Perot's advertising seminars last year and which lay at the heart of his campaign message.

Mr Stanley Greenberg, the pollster, notes that three quarters of last year's Perot voters do not mention the deficit first or second among their greatest worries, instead listing the economy, healthcare and jobs as their primary concerns.

"You miss it if you focus on the deficit as a policy issue. What the deficit represents to Perot voters is a massive act of irresponsibility on the part of the leadership of this country," Mr Greenberg says.

Another recent poll conducted for Time/CNN showed that, given a choice between cutting the budget deficit and stimulating the ecooomy, 58 per cent of Perot voters favoured the latter – fewer than for the voting public in general, but still a big majority.

The DLC argues that the message of these polls is that Mr Clinton needs to concentrate on centrist, "New Democrat" policies to revive the economy, reinvent government, spend government money with discipline and avoid capture by the Washington establishment.

The Perot factor is here to stay

Mr Greenberg's soundings show, however, that the Perot factor is bere to stay. Perot voters have not aligned with either of the two traditional parties since the election, and, when pressed about their plans for the far-off 1996 presidential election, remain loyal to Mr Perot.

In a three-way race against Mr Clinton and a Republican candidate such as Senator Bob Dole or Mr Jack Kemp, three-quarters of last year's Perot voters would once again vote for Mr Perot, once again allowing Mr Clinton to win with fewer than 50 per cent of the votes. Should the Texas populist join the Republicans, the 1996 election would tighten to a heat, with 47 per cent for Perot and 46 per cent for Clinton.

While Mr Greenberg cautions that this result is artificial, he says it shows the durability of Mr Perot's appeal: 72 per cent of Perot voters who describe themselves as Democratic-leaning would, nevertheless, join the Texan on a voyage to the Republicans.

Fear and loathing in Vegas and Jersey

Nikki Tait on the threat of competition to US's traditional gambling centres

NO sooner had the Mississippi burst its banks this week, than there was a spate of announcements: riverboat gaming would not be interrupted.

Little, it seems, will stop the explosive growth of the US gambling industry. And that means problems for the nation's two traditional gaming strongholds, glitzy Las Vegas in Nevada and New Jersey's more down market Atlantic City.

For years, these were the only centres for legalised casino gaming in the US. Now competitors across the nation are threatening to woo their punters away.

Atlantic City, a depressed town which lacks essential infrastructure, is the more severely affected. This is particularly bad news for Mr Donald Trump, whose three casinos make him the biggest operator in town. The New York-based property and gaming mogul has even filed a legal action against the US federal government seeking to block the growth of casinos on Indian land.

Mr Trump's complaint stems from a 1988 federal law which permitted Indian tribes to engage in any form of gambling which was already legal in a particular state. In itself, this did not look hugely permissive. However, many states which outlawed traditional gambling did permit charitable "Las Vegas nights" with "casino-style" gaming. Using this loophole, tribes successfully established their right to run casinos.

Today, legal gaming operatioos, from bingo to blackjack, are reckoned to exist on more than half the nation's Indian reservations. In the case of more serious "class three" gaming operations – casino games, slot machines, Jai Alai and horse and dog-racing – 78 agreements have been struck between tribes and officials in 18 states. Gaming on Indian land is now a $6bn-a-year business, according to the National Indian Gaming Association.

Meanwhile "riverboat" gambling has started to flourish on the Mississippi. The movement began in Iowa, largely in response to local economic difficulties. The state approved riverboat gaming in 1989 after four years of lobbying.

Illinois, Missouri, Mississippi and Louisiana quickly followed. Now Texas is considering legislation which could bring riverboat gaming to seven locations on the state's Gulf Coast.

Given these two catalysts, the spread of legalised, onshore gaming to centres other than Vegas or Atlantic City has become almost inevitable. Most states could use the additional tax dollars and the jobs.

The expansion remains controversial: opponents cite social problems and Indians themselves have been divided. Worries of mob influence in the newer gaming centres also continue to surface – an issue mentioned in the Trump suit.

His legal action, however, centres on the issue of state powers versus federal ones, and mirrors rearguard actions being mounted by "anti-gaming" lobbies in states such as Florida and Alabama. It argues that the federal Indian Gaming Regulatory Act is unconstitutional under the 10th Amendment, which reserves for states all the rights which have not been expressly given to the federal government.

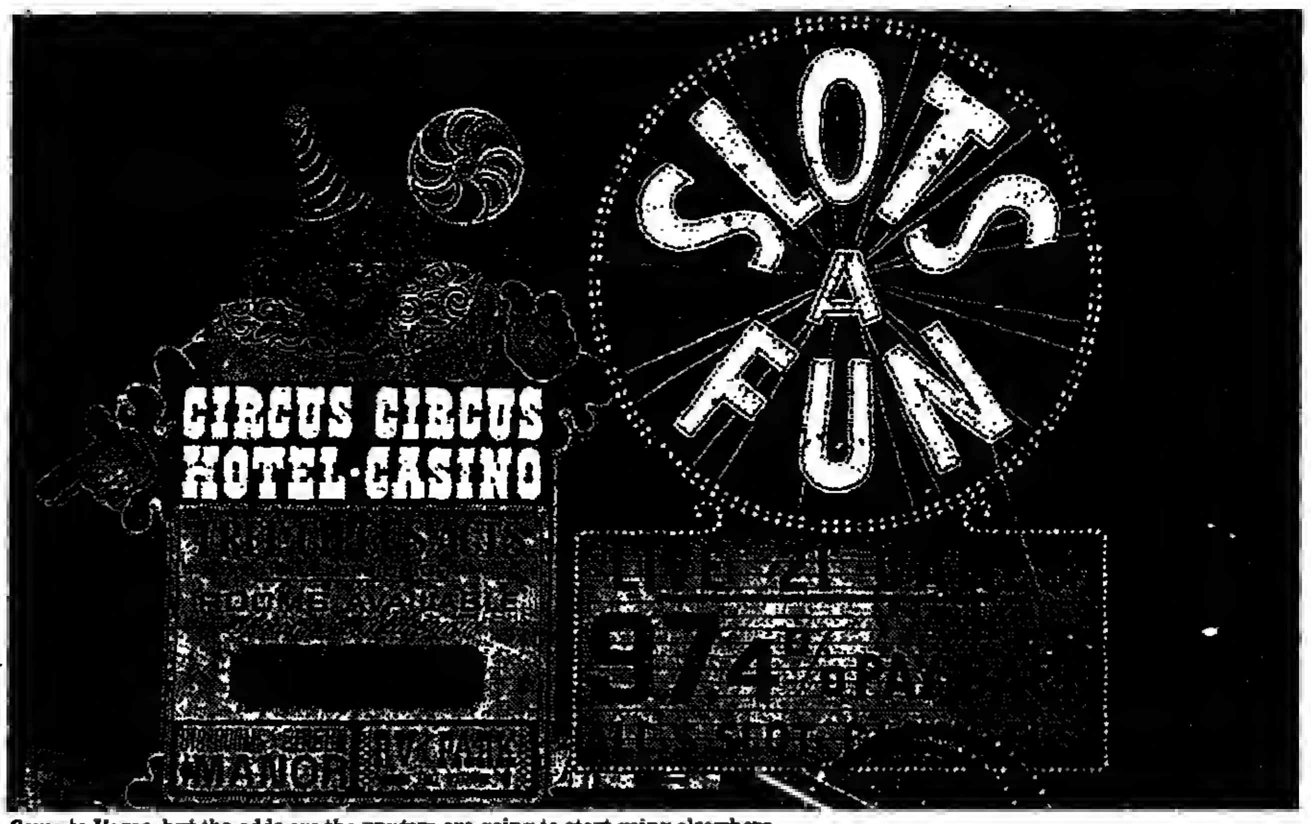
Legal arguments notwithstanding, mncb of the industry's expansion may now be irreversible. Big gaming companies – such as Hilton Hotels, Promus and Steve Wynn's Mirage Resorts – have seized the new opportunities, striking deals with tribes and competing to run both new land-based casinos and riverboats.

For Atlantic City, where the seafront casioos lead on to blocks of run-down houses and dilapidated streets, this is bad news.

To boost business, New Jersey decided to allow 24-hour gaming, lifting revenues to $3.2bn last year. But infrastructure investments – such as a modern airport and a oew convention centre – are only belatedly getting under way, presenting an opening for eager competitors.

Nevada has been in the gaming business since 1931, compared with only the mid-1970s for Atlantic City, and the transport and convention facilities are better. About 40 per cent of visitors fly into Vegas, giving the city more chance of competing for punters on a national scale.

Even so, Vegas has not been immune to the west coast recession and competitive pressures. Although California has declined in importance as a source for visitors, the state still accounts for about one-third of Las Vegas's customers. A surge in alternative gaming options there could present the Vegas impresarios with even tougher business odds.



Come to Vegas: but the odds are the punters are going to start going elsewhere

US and Russia in oil deal

By Lisa Bransten in Washington

THE US and Russia yesterday signed an agreement to finance Russia's purchase of at least $2bn (£1.3bn) of US equipment and services to revive its flagging oil, gas and petrocbemical sectors.

The deal, which comes after more than a year of difficult negotiations, is also expected to create thousands of jobs in tbe US oil and gas equipment and services sector.

Under the terms of tbe agreement, negotiated by the US Export-Import Bank, revenne earned hy the Russians from the sale of oil and gas will be deposited in escrow accounts in Moscow Narodny Bank in London or Eurobank in Paris. Money from sucb accounts will be used to repay the Eximbank loans.

In order for the deal to go ahead, the World Bank must release Russia from the requirement that it be the first institution repaid when a country has the currency to do so. The Bank board is expected to vote on this "negative pledge waiver" in the next few weeks, but the Eximbank officials say they will not wait for the vote to move forward with paperwork on specific transactions.

On March 30, the World Bank voted for a general approval of negative pledge waivers but tbe action still requires the Bank's board to grant a waiver to a specific nation on a country-by-country basis.

The first transaction in the $2bn facility conld be approved by Eximbank as early as September.

Clinton nominee defends judiciary

By George Graham in Washington

PRESIDENT Bill Clinton's nominee for the vacant seat on the US Supreme Court has defended the judiciary against charges of being too activist and usurping the role of elected politicians in setting public policy.

In written answers to a questionnaire before ber Senate confirmation hearings begin on July 20, judge Ruth Bader Ginsburg, described judicial activism as "a label too often pressed into service by critics of court results rather than the legitimacy of court decisions."

The courts would not have to take such an active role, she suggested, if legislators had made "the hard, somewhat controversial decisions necessary to equip judges with clearer policy directions..."

Mrs Ginshurg, whose ideological stance is not readily definable, appears already to have won enough backing from key senators to ensure Senate confirmation.

Judicial activism has been an important issue in conservative criticism of the Supreme Court, since it began to take a more aggressive approach to social issues in the 1930s, and particularly under Chief Justice Earl Warren in the 1950s and 1960s. With the arrival of new justices appointed by former Presidents Reagan and Bush the balance has swung to the right.

In earlier writings Judge Ginsburg suggested tbe Supreme Court could endanger its credibility by moving too far ahead of the political process, or lagging too far behind.

"Without taking giant strides and thereby risking a backlash too forceful to contain, the Court through constitutional adjudication, can reinforce or signal a green light for social change," she said in New York.

The 1954 Brown vs Board of Education decision that barred school segregation followed a carefully prepared path in the campaign against racial injustice, she argued. On the other hand, Roe vs. Wade, the 1973 decision outlawing most anti-abortion statutes, may have reversed a tide tbat was already underway in the political arena and triggered 20 years of bitter controversy.

OECD Export Credit Rates

THE Organisation for Economic Co-operation and Development announced new minimum interest rates (%) for officially-supported export credits for July 15 to August 14 (June 15 to July 14 in brackets)

D-Mark	7.39 (7.51)
Ecu	7.72 (8.00)
French franc	7.73 (7.97)
Guilder	
up to 5 years	7.15 (7.30)
5 to 8.5 years	7.35 (7.55)
more than 8.5 years	7.85 (8.05)
Italian lira	11.14 (11.7)
Yen	5.40 (5.20)
Peseta	11.34 (12.1)
Sterling	8.10 (8.20)
Swiss franc	5.69 (5.82)
US dollar for credits	
up to 5 years	5.53 (5.40)
5 to 8.5 years	6.22 (6.20)
more than 8.5 years	6.61 (6.66)

These rates are published monthly by the Financial Times, normally in the middle of the month.

A premium of 0.2 per cent is to be added to the credit rates when fixing at bid. Interest rates may not be fixed for more than 120 days.

SDR-based rates of interest are the same for all currencies but must be used only for the OECD-defined poor countries.

The SDR-based rate will be changed on July 15 to 6.85 per cent. It replaces the previous rate of 7.55 per cent. The SDR-based rate will again change on January 15 1994.

Inquiry hears 'irrefutable' evidence that Foreign Office ignored intelligence warning that Jordan diverted weapons to Iraq

Officials criticised over loopholes in arms sales

By Jimmy Burns

LORD JUSTICE SCOTT, the judge heading the arms-for-Iraq inquiry, suggested yesterday that British officials may have acquiesced in ensuring loopholes in the government's restrictions on arms sales to Iraq.

UK government documents made available to the inquiry show that at the end of 1991 Jordan was excluded from a British blacklist of countries which were subjected to be more stringent controls on arms exports.

This was in spite of the fact that the British intelligence had provided what it told government departments was "irrefutable evidence" that Jordan was diverting arms to Iraq.

The Scott inquiry is examining the extent to which ministers, officials, or agencies may have acquiesce in allowing arms and arms-related material to reach Iraq.

During intense questioning at yesterday's public hearing. Lord Justice Scott asked a witness, Mr Peter Vereker, head of the Foreign Office's Arms Control and Disarmament Department, whether he did not agree that the exclusion from the list had left open "apparently glaring loopholes for material to get to Iraq".

Mr Vereker insisted that as far as the "core interest" of his department was concerned, Jordan's exclusion was not important, as his department had "other ways of catching equipment". But all the time referring to government documents, Lord Justice Scott implied that he was not convinced. "What's the point of publishing a list if it hasn't got the right countries on it?" he snapped at one point.

Investigators have also been looking at the export of munitions and defence-related goods to Iraq in the period up to the invasion of Kuwait in August 1990.

But in justifying his intervention yesterday, Lord Justice Scott told Mr Vereker he considered the circumstances surrounding the list of relevance since they could cast light on the strength of what he identified as a "Jordan lobby" in the Foreign Office determined not to do anything that might upset bilateral relations.

The inquiry heard yesterday that a list of militarily high-risk countries had been sent in November 1991 by Mr Peter Lilley, then trade minister, to Mr John Major, the prime minister, which left blank a line where "Jordan" should have appeared. Mr Vereker said the list had been drawn up after officials from the Foreign Office's Near East and North African Department, responsible for bilateral relations with Jordan had challenged intelligence assessments provided by the Ministry of Defence.

One intelligence report made available to Whitehall departments had described Jordan as having a "high potential as a probably diversion proliferator" because of its defence links with Iraq in the 1980s.

Mr Vereker yesterday confirmed that an official of the Near East and North African Department had handwritten over a copy of Mr Lilley's letter to the prime-minister: "Jordan's disappeared. Well done."

The department was apparently acting against the wishes of Mr Douglas Hogg, foreign office minister, who had earlier voiced his concern about Jordan which was included in a similar list of risk countries drawn up by the German government.

British Gas admits its prices may be wrong

By Deborah Hargreaves

BRITISH GAS admitted yesterday that it could have got its pipeline charges wrong and it withdrew price rises of as much as 30 per cent which were proposed only a month ago.

The admission marks a spectacular U-turn for the company, only three weeks before the Monopolies and Mergers Commission is due to deliver its report on the future of the UK gas industry.

British Gas recently strongly defended its price increases against a barrage of criticism from rival suppliers.

The change of tone has been seen as evidence by some industry watchers that the company is running scared of the monopolies commission's verdict on the gas industry.

The commission could suggest British Gas lose its monopoly over household gas supply and propose splitting off its pipelines into a separate company. The commission is also due to recommend a rate of return for pipelines which will affect charges.

The government is believed to favour the introduction of competition unless there are very strong arguments against it.

Ministers are also thought to favour greater transparency between British Gas's pipelines division and its marketing operations. That could be achieved by dividing them into distinct subsidiaries within the company or splitting them into separate concerns altogether.

The price increases, which ranged from 2 per cent to 30 per cent, were to be levied on British Gas's rival suppliers for sending gas through its pipelines to industrial customers.

The company said it would delay the implementation of the rises until October next year while it examines whether it can reduce them.

Mr Harry Moulson, who takes over next Tuesday as managing director of British Gas's transportation business, responded to pressure from rivals to delay the change in prices. "I looked at these price increases and said I don't believe I can live and fight in this marketplace on this basis."

Government scraps road scheme via ancient wood

By Richard Tomkins, Transport Correspondent

ENVIRONMENTALISTS in Britain yesterday scored one of their greatest triumphs of recent years as the Department of Transport scrapped plans to build a new trunk road through Oxleas Wood in Greenwich, south-east London.

The controversial scheme would have severely damaged one of London's last ancient woodlands and had been the target of vigorous campaigning by conservationists and local residents.

It had also attracted the attention of the European Commission, which earlier this year started proceedings against the British government, claiming it had failed to publish a proper environmental assessment of the project.

The scheme had aimed to provide a link between the A2 London-Dover road and the A406 North Circular, by building six miles of dual carriageway leading to a new bridge over the Thames, the East London River Crossing.

Mr John MacGregor, transport secretary, announced in an answer to a written Commons question yesterday that he was dropping the £283m project because the section passing through Oxleas Wood failed to meet the environmental standards now applying to new road schemes.

He said the government still intended to build a link across the Thames, because the plan formed a key part of its strategy to regenerate the East Thames Corridor.

Fresh proposals would now be put forward, incorporating a design competition for the bridge and possibly a role for private sector finance.

Mr MacGregor added that his decision was "quite independent" of the EC proceedings because the government remained convinced that the environmental assessment directive did not apply to projects already initiated when the ruling came into force.

The main reason for the government's turnabout appears to have been an acknowledgement that it had virtually no public support in any quarter for its stance.

The last straw came in May, when the British Road Federation, a lobbying group which normally argues strenuously for more roadbuilding, allied itself with the campaign to stop the road route through Oxleas Wood.

Friends of the Earth, the environmental pressure group, said: "We have been campaigning to save the wood for eight years, so we are delighted."

Anti-Maastricht MPs forge deal with opposition

By Alison Smith

A NEW alliance has been forged between the opposition Labour party and Tory Euro-sceptics, aimed at forcing Mr John Major to choose between accepting the social chapter or being unable to ratify the Maastricht treaty on closer European economic and political union.

The opposition's draft proposal for the Commons debate on the social chapter – which must take place before ratification – has been framed to maximise the prospect of a coalition of all the opposition parties and Conservative rebels which could defeat the government.

Labour has been keeping in informal touch with Conservative Euro-sceptics, who met on Tuesday night to discuss tactics.

The party is considering adding to the pressure on Mr Major by putting up Mr John Smith, the Labour party leader, to open the set-piece debate, which is expected on 26 July.

The need for a further vote on the social chapter was inserted into the legislation to ratify the Maastricht agreement by the same combination of opposition MPs and Tory rebels.

Labour's amendment for the debate is critical because MPs will vote on it before the government motion. It would instruct the government not to ratify the treaty unless it had previously said it would sign up to the social agreement which applies only to the other 11 European Community member states.

This is intended to attract both those in favour of the social chapter – on the basis that the government would sign rather than block the treaty altogether – and those who believe that the prime minister has tied himself so strongly to Britain's opt-out that he would stymie the agreement rather than surrender it.

Some Euro-sceptics believe that faced with that unenviable choice, Mr Major might opt for a referendum on whether the UK should accept the treaty as he negotiated it – the course which many Tory rebels prefer.

With the government's overall Commons majority standing at only 18, just a few rebels would put the result in doubt. One estimate within government is that there are about six Tories who would vote with the opposition, and at least the same number who would abstain.

Mr John Major is expected to discuss tactics for the debate with government business managers on Monday following his return from Tokyo, where he is attending the G7 summit.

Government launches violent anti-terrorist video

SIR Patrick Mayhew, Northern Ireland secretary, yesterday launched the most brutal set of anti-terrorist television advertisements ever produced by the authorities in the province, writes Raymond Snoddy.

The advertisements produced for screening in Ireland depict graphically terrorist murders and are designed to encourage people to pass information to the Royal Ulster Constabulary, the province's police force, using a confidential telephone line.

"The government must tackle the evil of terrorism by every practical means. These films are part of that effort," Sir Patrick said yesterday.

Two of the films, including one (pictured above) which ends with a former terrorist mourning the death of his own son in the so-called "Troubles", are so violent they will only be shown in the evening after 9pm.

Each advertisement, produced by an independent film company, cost £373,000 to produce.

Sir Patrick said the aim was to deter anyone involved in terrorist activities or considering joining one of the paramilitary groups.

Reacting to criticism of the violent images, he added: "It is not the government's wish to re-open grievous and painful wounds. But terrorist crime continues to extinguish lives and blight many more."

Positions vacant on the bench

By Robert Rice, Legal Correspondent

WANTED: judge to sit on northern circuit. Must be prepared to travel and accept substantial drop in earnings. Knowledge of the law an advantage. Preferred age 45-55. The Lord Chancellor is an equal opportunities employer.

Lord Mackay, Lord Chancellor, finally bowed to pressure last night and agreed to end the excessive secrecy in England's judicial appointments system by advertising judges' jobs and holding open competitions for specific judicial posts.

Speaking to a packed house of his judicial brethren at the Lord Mayor's annual judges' dinner, Lord Mackay said he still believed he was the best person to make judicial appointments but that having consulted senior colleagues he had decided changes were needed.

His announcement follows complaints from Lord Taylor, the Lord Chief Justice of a serious shortage of High Court judges which resulted in the appointment of an additional 10 High Court judges in March.

Lord Mackay said he would be putting machinery in place to help forecast the numbers of judges needed and the expertise required at different levels of the judicial system.

Job descriptions will be drawn up, spelling out the work involved and qualities required. Initially, only jobs up to circuit judge level would be advertised but if this experiment in open government worked, the Lord Chancellor said he would consider extending it to cover senior posts.

As well as advertising judicial posts, Lord Mackay said he was anxious to see if there were further measures he could take to encourage applications by women and black and Asian lawyers.

He will also explore the scope for involving non-lawyers in the selection process. Lay people with experience in the justice system may be asked to sit on interview panels.

Lord Williams of Mostyn QC, Labour's legal affairs spokesman in the Lords, who last year branded the judicial appointments system as "bizarre and farcical", said he was delighted Lord Mackay had finally seen the force of the argument for a more open system.

It was a step in the right direction, he said, but the Lord Chancellor needed to go further and open the secret files kept on all judicial applicants. At the moment there was no way of knowing what was in those files and no opportunity to correct them. They were "kept under lock and key by a graduate from the Franz Kafka school of business management", Lord Williams said.

It was time to allow anyone who was a subject of such a file to ask for it to be reviewed by an independent third party, he said.

Lord Runciman admitted yesterday that he had been "very surprised" by the degree of critical reaction to the Royal Commission's proposal for restricting the rights of accused people to opt for jury trial in cases which could be heard by magistrates, writes Alan Pike.

He said after addressing the Association of Chief Police Officers conference in Birmingham that in Scotland, the right of defendants to select which court should hear their case did not exist. He had not intended the committee's proposal for parliament to set guidelines in England and Wales to prove controversial. "I do not at all see the case for giving the defendant the choice," he said.

Britain in brief

Inquiry urged on US-UK price margins

The opposition Labour party called on the government to launch an inquiry into the cost of many food and household items in the UK after claiming that British consumers sometimes paid twice as much as in the US.

Mr Nigel Griffiths, Labour's consumer affairs spokesman, said that even after taking account of tax differences, "UK consumers appear to be paying through the nose for even basic commodities". His calculations show food prices were on average 222 per cent higher in the UK than US. Home improvement products were 156 per cent higher and electrical goods 63 per cent higher.

Buyer found for truck offshoot

A new company, Multipart Distribution, has been formed by administrative receivers to run Leyland Daf's parts distribution activities, the last and potentially most valuable of the commercial vehicle maker's operations still to find a buyer after the former Anglo-Dutch truck maker'e collapse in February.

The formation of the new company by Mr John Talbot and Mr Murdoch McKillop, the Arthur Andersen joint receivers, helps clear the way for an expected sale of the Chorley, Lancashire-based distribution and warehousing operations – which employ 350 people – in about two months' time.

Government seeks rail funds

The government is looking to private investors to fund at least 30 per cent of the cost of the Crossrail project to build two tunnels under central London, the city's biggest public transport project for 25 years.

Ministers anticipate a public contribution to the project of between £800m and £1.2bn, leaving a possible 60 per cent of funding for the £2bn scheme to be raised from the private sector.

Labour nears split on voting

Opportunity for compromise between the Labour Party and the unions over internal party democracy appeared to recede yesterday as Mr John Smith, Labour leader, reaffirmed his commitment at the annual conference of the Transport and General Workers union to the "simple principle" of one member one vote.

Mr Smith told the conference that the principle must apply to the selection of parliamentary candidatee, hut sidestepped the issue of union involvement in the election of the party's leadership.

Renewable power targets

Between 6 per cent and 12 per cent of the electricity in the south-west of England could be generated from renewable energy sources such as wind, waste incineration and tidal power by the end of the century. The findings have been published in a study sponsored by the Department of Trade and Industry.

The DTI has set a national target of 1500MW of electricity from renewable sources by the year 2000, the equivalent of a medium sized coal-fired power station.

Decline in UK business total

The total number of businesses in the UK fell by nearly 200,000 in the two years from 1989 to 1991, said a review of small business trends by National Westminster Bank.

The report, published by the Small Business Reeearch Trust, said there had been a decline from 2.9m companies to 2.7m.

Crown Estate payments rise

The Crown Estate, the property owned by the Sovereign who surrenders its profits to parliament in exchange for the civil list, announced that its payment to the Exchequer had risen by 5.4 per cent to £75.9m for the year to end-March.

The estate, which is the UK's largest landowner, generated a revenue surplus of £74.3m, up 3.6 per cent. Its value had fallen by 6.8 per cent to £1.66bn by the year end.

Assurance for defence groups

Mr Malcolm Rifkind, defence secretary, has tried to soothe defence manufacturers' concerns about recent equipment cuts by indicating that the government would give preference where possible to British contractors.

"There is always a bias towards a national supplier," he said. Answering questions after a speech on the defence programme to the Royal United Services Institute in London, Mr Rifkind said it was important for Britain to have an industry that could "manufacture as much as possible" to meet the country's military needs.

Date set for by-election

Tha government has set the Christchurch by-election for July 29, a date calculated to minimise the political shock waves if it loses the once impregnable Tory stronghold to the Liberal Democrats.

The by-election, caused by the death of Mr Robert Adley, provides another unwelcome test of Mr John Major's battered political authority.

The campaigns in the sleepy Dorset seaside town is expected to be dominated by the government's handling of the economy, its tax and spending plans and by the widespread slump in confidence in Mr Major's premiership.

QEII verdict

A report on the grounding of tha cruise ship Queen Elizabeth II off the east coast of the US last August said the ship's master placed too much reliance on inaccurate charts.

The Department of Transport's Marine Accident Investigation Branch said the master failed to take account of the effect of squat, a nautical term for the effect of speed on the draught of a ship in shallow water.

Rich contributors are unlikely to be fêted at Downing Street, says **Philip Stephens**

Tory funders find out the party may be over

Just hours before Mr John Major left this week for the Tokyo summit, his office quietly released a series of replies to questions from MPs about Conservative party funding.

The answers, deposited without fanfare in the parliamentary press gallery, told us two things.

The first was that Mr Asil Nadir had not been a guest at Downing Street since November 1990 when Mr Major became prime minister. But in the preceding five years the fugitive businessman had crossed the threshold of No 10 six times, on four occasions to attend charity functions but on two others as a prime ministerial guest.

Mr Major's second point was that he had not allowed his party to use the splendour of Downing Street to woo potential contributors to Tory coffers. The two dozen events during his premiership had all been sponsored by eminently worthy causes.

That is not to say that individual contributors to party funds are no longer invited for a handshake at No 10 after depositing their cheques at Central Office, nor that Mr Major does not dine with overseas benefactors on trips abroad. But the donors are vetted more carefully. And the practice under which the party's treasurers once claimed automatic right of access to the prime minister's study to impress their most valuable catches has ended.

The intended inference was clear. Mr Major had concluded that it was better not to mix so blatantly as in the past, the business of government and party politics. Put another way, Tory fundraising in Lady Thatcher's day may have become a pretty murky affair but her successor had cleaned up the act.

The change, it is said, explains the prime minister's visible fury in recent weeks when confronted with allegations that this or that crook or this or that oil sheikh routinely fills his party's coffers.

During his time in No 10 Mr Major has been accused of many things, often justly. But even his enemies are disinclined to believe he is a crook.

He is wrong though if he believes that by quietly distancing the more dubious practices of the past he will solve the party's problems in the future.

It is true that, barring fresh revelations, the funding issue appears to have run out of steam at Westminster. MPs and the journalists who write about them have short attention spans. The media had discredited its own case with wild and unsubstantiated allegations even before Mr Michael Mates' excursion into the world of conspiracy theory took the pack in different directions.

But it will be impossible to return the genie to the bottle. Senior members of the government admit quite openly that the Conservatives can no longer accept with impunity wads of banknotes from Greek shipping magnates and Hong Kong businessmen.

Who pays the piper calls the tune promises to be a potent Labour slogan at the next election. The media will no longer be fobbed off with stories that the hill for the services of Saatchi and Saatchi is being paid out of the proceeds of coffee mornings in Surrey.

Some ministers also believe it will be difficult if not impossible for the party to refuse to disclose large corporate donations. At the very least, central office will have to check that such contributors meet their legal obligation to declare the payments in published accounts – and return the money if they do not.

The pessimists – and there are some in the cabinet – add that, whatever Mr Major may say, the party will be driven eventually to accepting disclosure of all substantial donations whether from companies or individuals.

All this is grim news for Sir Norman Fowler who is struggling to pay off an £18m central office overdraft and find money to fight the local, European and eventual general elections.

There is worse. The recent furore has alienated further the Tory grassroots activists who offer the only realistic source of alternative funding for the party. The local constituency associations have long taken a dim view of the way central office spends – they would say squanders – its money.

Of the £18m they raised last year, the associations handed over only £1m to Smith Square. Some refuse to contribute anything at all to central funds. Others are fiercely resisting Sir Norman's attempts to curb their autonomy through a more structured relationship with the centre.

The anecdotal evidence offered by Tory MPs after recent visits to their constituencies is that opinion among the activists has hardened further.

Demoralised anyway by the government's incompetence, many have been appalled by the idea that dubious "foreigners" have been financing the spendthrift habits of the party leadership.

Mr Major perhaps should be a little less dismissive of state funding of political parties. He might need it.

Direct investment in the Balkans is increasing
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FINANCIAL TIMES SURVEY

GREECE

Historical obsession with neighbours flares up
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Thursday July 8 1993

Greece may be heading for a period of political instability that could wreck the government's attempts to reform the economy. Kerin Hope discusses the problems facing the EC's poorest nation, as two elderly politicians battle to win the approval of voters

Power struggle mars recovery

TO THE frustration of most Greeks, the country's elderly political leaders seem to think they are no less immortal than the gods on Mount Olympus.

With his popularity at an all-time low, Prime Minister Constantine Mitsotakis is preparing constitutional amendments which would restore some executive power to the president. He hopes to take over in 1995, when the incumhent, Constantine Karamanlis, is due to step down.

Howevar, Andraas Papandreou, tbe opposition leader, whose health is already too fragile to permit putting in a full day's work, is just as keen to become bead of state, according to senior members of his Panhellenic Socialist Movement.

Both men are 75, but according to the unwritten rules of Greek party politics, neither can be unseated withoot first losing a parliamentary election.

That is due to take place next spring, though it may come earlier if the quarrels in Mr Mitsotakis's conservative party get out of hand.

Whatever bappens, Greece appears to be headed for a period of political instability that could wreck the present government's efforts to put the economy on a sounder footing. Few analysts would bet on parliament being able to elect a new president with the required three-fifths majority. The alternative is a fresb election, followed by a presidential vote decided by a simple majority in the 300-member house.

Mr Stafanos Manos, tba economy minister, is already under pressure to relax wage restraints and curbs on public sector hiring. Yet even if he gives way, it is probably too late for the conservatives to claw back enough votes to stay in power.

Conservative supporters are just as enraged as the soclalists over the government's privatisation programme, which, among other things, calls for selling 49 per cent of OTE, the state telecoms company, by the end of 1993, and launching private sector power generation, without the participation of DeH, the state-ownad electricity producer.

Opposition to privatisation stems from the realisation that the practice of making patronage appointments to public sector corporations, whose bloated workforce exceeds 100,000, would immediately end.

Nor can the conservatives bope to scrape home on the back of an economic recovery, originally forecast for the end of the year.

Tha target of single-digit inflation by December is slipping, with 12 per cent now the best that Mr Manos can hope for. Moreover, the official prediction of 2 per cent growth in 1993 has been reduced by half.

The government's position is further weakened by the recent decision of Mr Antonis Samaras, the former foreign minister, to found his own political splinter group.

Mr Samaras, sacked last year for his hardline stance in Greece's dispute with Macedonia over the former Yugoslav repuhlic's choice of name, retains a strong personal following among voters.

In spite of having age on his side – he is 42 – Mr Samaras's bid to capture the middle ground between reform-minded conservatives and moderate socialists is undermined by his reputation for outspoken nationalism. Indeed his main parliamentary snpport comes from a group of extreme right-wing backbenchers.

Because the conservatives have only a one-seat majority in parliament, Mr Mitsotakis faces the uncomfortable prospect of being held bostage by Mr Samaras's supportars until the election.

Yet, the potential for internal division would be just as strong in Pasok, if Mr Papandreou were ohliged to step aside because of failing health.

If the socialists return to power, Mr Papandreou would be likely to conserve his energies by appointing a pair of deputy prime ministers to handle day-to-day running of the government.

Nobody expects Mr Papandreou to make the succession process easier by naming a political heir. The result could be a long, drawn-out power struggle, again with potentially disastrons consequences for management of tha economy.

Greece's policy on ex-Yugoslavia is in any case contradictory, with the government being repeatedly criticised abroad for failing to crack down on Greek companies defying sanctions against Serbia and Mootenegro – although the Greek navy participates in the Nato blockade of the Adriatic coastline.

Indeed, the traditional Greek friendship with Serbia bas grown stronger since the start of the Bosnian war underlining how the government is being pulled simultaneously in different directions: by its perceived interests in the Balkans and hy the responsibilities of belonging to western institutions.

Oo the other band, there seems little chance that Greece will ignite a crisis in the southern Balkans.

With 200,000 Albanian migrant workers already in the country, the government is well aware of tbe problems that a massive influx of refugees from Kosovo and Macedonia would create.

Any Greek involvement in the Balkan imbroglio would also raise an immediate territorial threat, by encouraging Turkey to intervene on behalf of the ethnic Turkish minority in Thrace.

Political problems and regional anxieties have tended to overshadow the progress which has been made on economic reform. Mr Manos has tried to clean up the public sector balance sheet, reforming the pension system in tha face of stiff union opposition and rescheduling a beavy burden of domestic debt left over from the 1980s.

He has brought in international auditors to straigbten out the accounts at public sector corporations. By contrast with bis predecessors, be shows a willingness to act on the advice provided by outside experts.

One result is that in spite of technical hitches and resistance from within the revenue service, computerisation of main tax offices is finally under way.

If nothing else, this year's revenue shortfall has spurred tha governmeot into making greater efforts to close holes in the tax net.

Greeks must now record their personal tax number on an unlikely variety of documents, from car insurance to telephone bills.

Abolition of price controls has given competition a boost, while the labour market is more flexible with the introduction of part-time work and liberalisation of shopping hours.

The official unemployment figure has stabilised at around 9 per cent, giving credence to the government's claim that more than 150,000 new johs have been created in the past three years.

Despite present economic constraints, tbe structural reforms should improve tbe outlook for medium-term growth, based on much-increased aid inflows from the EC. Greece sbould recaive Ecu18bo over the next five years from tbe community's structural funds.

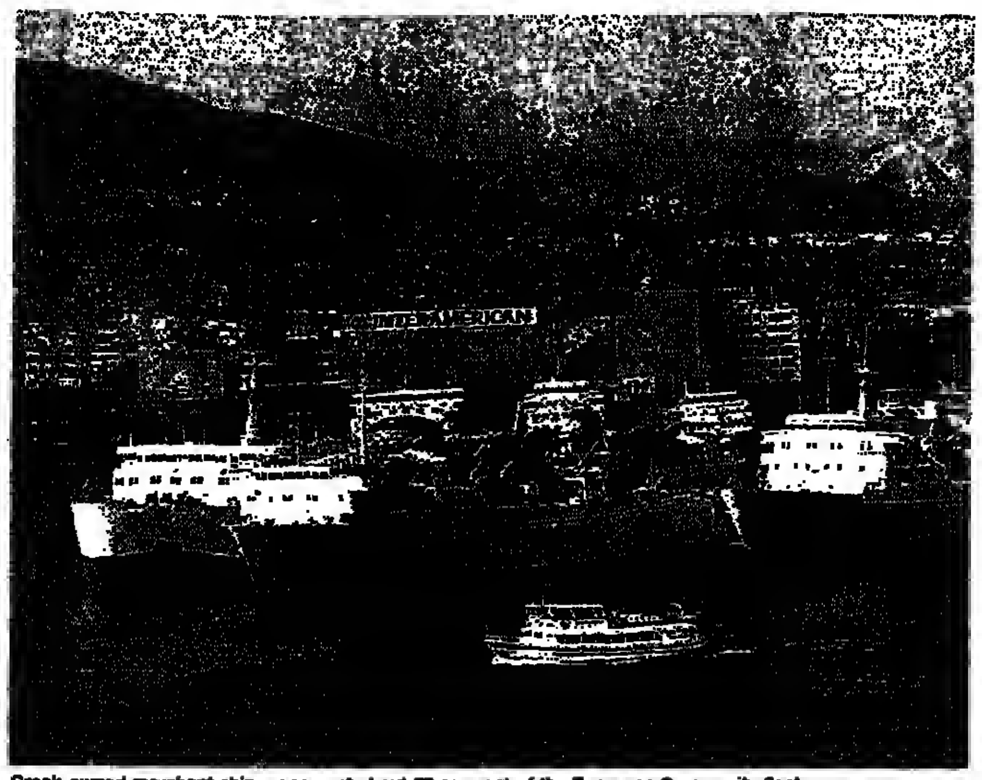
It will also be entitled to another Ecu2.5bo from the new cohesioo fund for improving transport and environmental protection in the four poorer community states.

Most of the new EC funding is destined for important infrastructure projects, notable by their absence during the past decade.

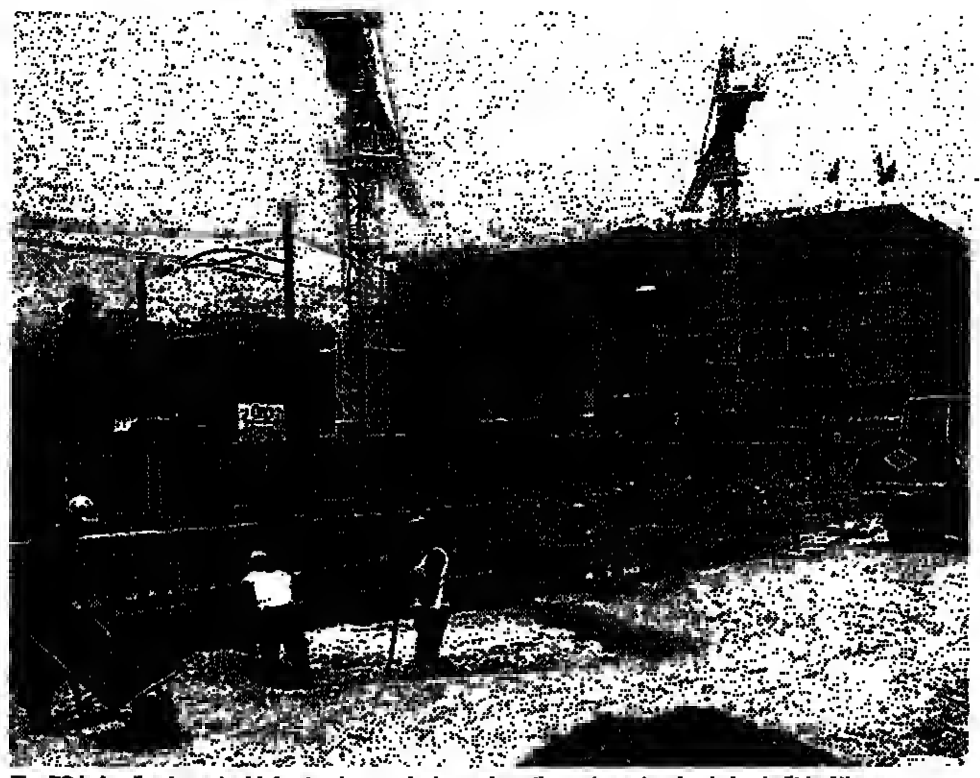
Greece is desperately short of motorways, many regional airports lack radar equipment and ports are badly in need of expansion.

With the overland route to EC markets closed by the war in Bosnia, improving communications in western Greece to link up with Italy is crucially important.

If the politicians could switch their attention to practical matters, there is much that could he done.



Greek-owned merchant ships represent about 52 per cent of the European Community fleet — Pictures: Glyn Genin

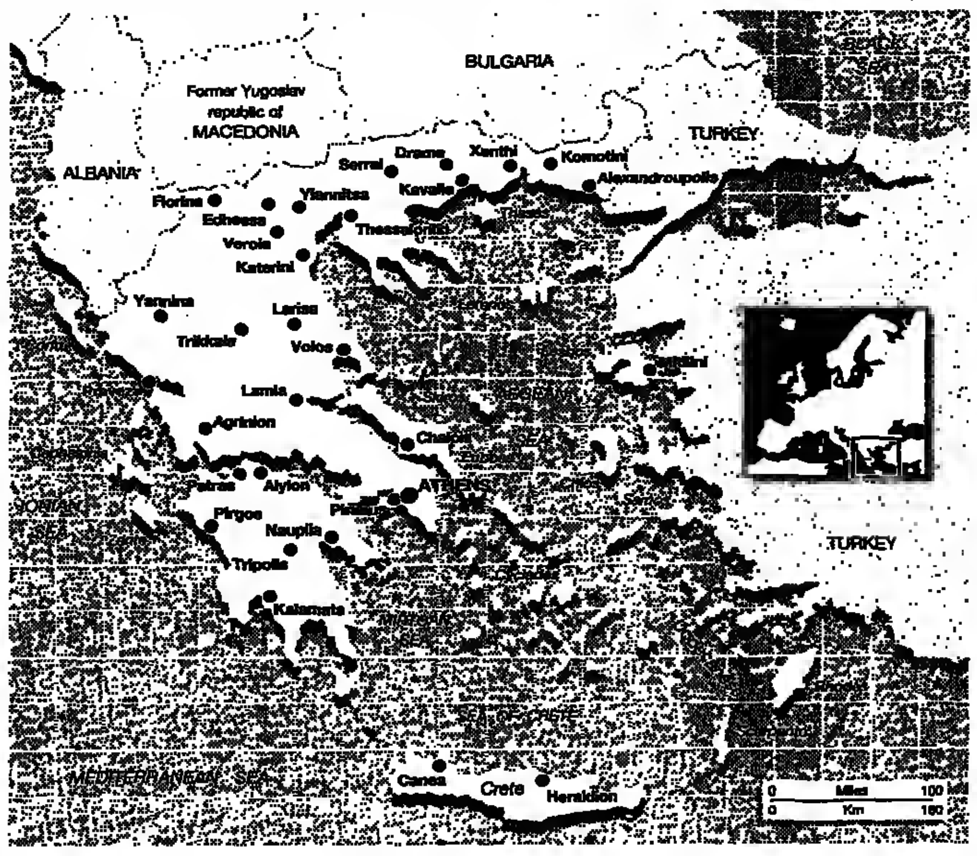


The EC is funding important infrastructure projects, such as the metro extension being built in Athens

IN THIS SURVEY

Anne Counsell examines the economy of the poorest country in the EC

Urgent surgery needed



THERE has been a grudging acceptance by the financial community that the Greek economy was in need of serious remediel ettention. The realisation that periodic cash injections from the EC could not sustain indefinite life in a chronically sick economy has also slowly begun to penetrate the political ranks.

Political expediency in an election year dictates that the prescribed surgery of public spending cuts and structural reforms should be administered painlessly. But many in government are reluctant to be left holding the scalpel.

The Greek home remedy of spending its way out of tight corners is, not surprisingly, the preferred course of treatment for many politicians.

Against this backdrop, Mr Stefanos Manos, the minister of national economy and finance, has been dogged in his approach to economic and fiscal reform. He has been instrumental in pushing through much needed but nonetheless unpopular measures such as lifting price controls, public sector wage freezes and privatisation programmes.

There beve been howls of protest, not only from the public but also from within parliament, resulting in a see-sawing passage towards reform. Part of the problem is that external pressures have forced changes at a faster rate than Greece's deeply entrenched political traditions.

Greece, which is the largest net recipient of EC funds, has committed itself to the Maastricht treaty and an economic convergence programme. Both demand a fiscal discipline which, until quite recently, was markedly ebsent from Greek economic policy.

When Greece joined the EC in 1981, it was the second poorest country. It is now the poorest, having been overtaken by Portugal in 1991, and has the lowest productivity in the community, the highest inflation and the biggest external debt.

In 1990, the New Democracy government took over an economy with a public sector borrowing requirement (PSBR) of 18.5 per cent of GDP, a current account deficit of 5.5 per cent of GDP and an inflation rate of more than 20 per cent.

Three years into its economic programme, the government can point to significant progress – the PSBR and the current account deficit have shrunk by 50 per cent or more to 10.5 per cent and 2 per cent of GDP respectively. Inflation is down to an average 15.5 per cent for early 1993 and a host of measures have been taken to liberalise capital movements, implement privatisation and to curb spending.

Recent reports by the International Monetary Fund (IMF) and the Organisation for Economic Co-operation and Development (OECD), acknowledged the improvement in economic indicators and praised the momentum towards structural adjustment, urging the government to press ahead with its reforms.

However, both the annual reports tempered their praise with concern, primarily over the persistently high rate of inflation and the government's ability to raise revenues.

The most significant brake on the economy is inflation. The consumer price index, which ended the year et 14.4 per cent, has risen to more than 16 per cent during March, April and May, largely because of steep rises in telephone, transport and weter tariffs as well as some basic foodstuffs.

A package of indirect taxes introduced last August has also added ebout 3 per cent to the annual rate of inflation. But even when stripped out of the index this August, the resulting fall will still be below target.

The goal of single digit inflation by the end of 1993, as outlined in Greece's convergence programme, cannot be met and 12 per cent is now seen as a more realistic figure.

Another obdurate problem is the large public deficit, which in turn has contributed to the inflation difficulties. Although there have been significant reductions in the PSBR over the past three years, the rate has fallen short of targets. In 1991, the PSBR was 14.1 per cent of GDP, 3.7 percentage points higher than the objective. In 1992 it was 10.5 per cent of GDP and 1.4 percentage points adrift, while for the first half of this year it is estimated to be 12 per cent of GDP, against a convergence programme target of 8.6.

This is not for a lack of budgetary consolidation efforts. Public sector wages and pensions have been cut in real terms, keeping the wage bill within limits and contributing to e primary surplus in 1992 – the public sector financial position before debt costs.

The government has attempted to rein in its consumption by reducing gross overstaffing in a public sector packed with political appointees.

A recent study revealed that Greece has a ratio of one civil servant per 17 members of the population, compared to one per 100 in the United Kingdom. A policy of replacing one out of every two retiring civil servants is not being widely implemented because of the perceived political cost.

On the revenue side, the government introduced a new tax law last May to deal with the pastime of tax evasion, a contributory factor to the high budget deficit and shortfall in revenues.

However, the Greeks have had more practice at evading tax than the government has had collecting it.

Lower tax rates did not bring more people into the net, neither did an amnesty on previous tax years. A projected 30 per cent increase in tax returns materialised as a rise of only 13 per cent for the first five months.

The policy is to intensify the collection of taxes already assessed by offering bonuses to the tax offices and by cross-checking. IBM is installing hardware in 120 tax offices which account for 80 per cent of the tax system.

The government has ruled out tax increases before the election, and is focusing on spending cuts involving a reduction in public investment and a cut in public sector subsidies.

The government has also targeted two new sources of revenue. Road taxes collected through the banking system are projected to raise up to Dr1.5bn a day and the sale of casino licences is estimated to bring in Dr23bn. In addition, receipts from privatisations should arrive in a flurry towards the end of the year.

Further falls in inflation and the PSBR are pivotal to reducing the high interest rate differential with the EC. Real interest rates, now at around 14 per cent, have discouraged investment and strangled business activity.

There is little prospect for reduced rates as high real interest rates are required to cushion the drachma against international exchange rate uncertainty and to finance the PSBR.

Given the slippage in a number of crucial targets, the drachma will not join the exchange rate mechanism (ERM) this year.

There has been some success in stabilising the devaluation of the drachma against the Ecu to between 4 and 5 per cent over the first five months of this year compared to a rate of 9.9 per cent in 1992.

On the external front, progress has also followed a zigzagging path. The 1992 current account deficit climbed to $2.03bn, partially reversing a 60 per cent fall in 1991 to $1.46bn. Much of the deficit can be attributed to payment lags and a surge in imports during the autumn currency crisis in the EMS when there were expectations of a drachma devaluation.

A large net inflow of invisible earnings, including from the EC, continued to hold up the balance of payments performance.

Although many expectations have not been realised, the failings are not acute when over-ambitious targets, the war in Yugoslavia and the negative impact of a slowdown in Europe are factored into the government's record. Mr Manos and his experienced team do not see Greece bumping along at the bottom of the European Community in the longer term. The difficulty is the short term.

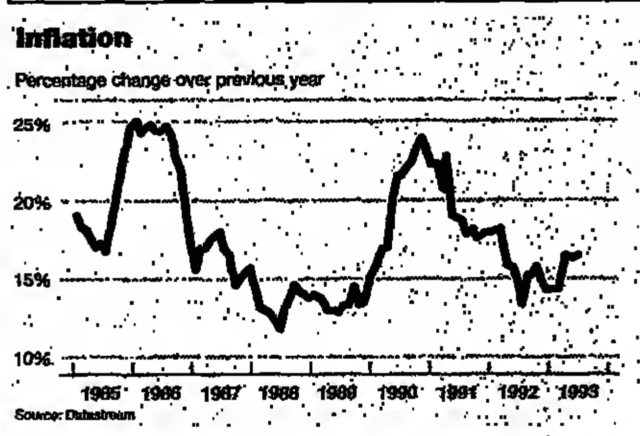
The patchy but generally better prospects for the Greek economy are not the most appealing message to voters, especially since most will not have reaped any direct benefits from the overdue, but necessary, reforms.

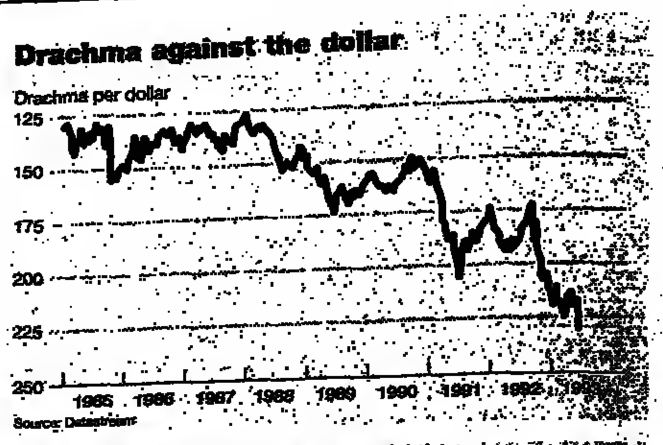
KEY FACTS

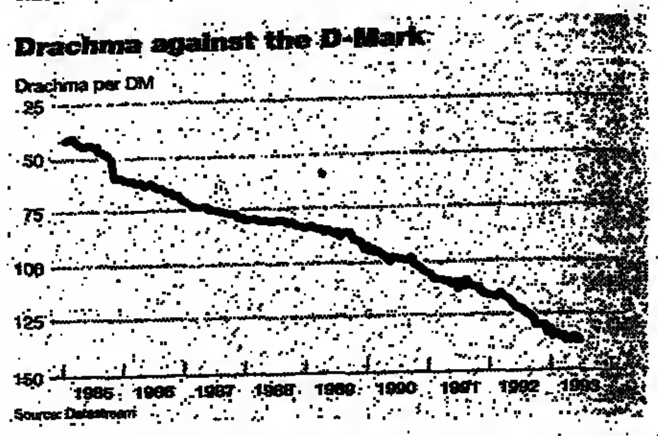
Area	131,957 sq km
Population	10.27m (1991 census)
Head of state	President Constantine Karamanlis
Currency	Drachma (Dr)
Average exchange rate	1991 $1 = Dr182.27; 1992 $1 = Dr190.6; 25/6/93 $1=Dr292.13

ECONOMY	1991	1992
Total GDP ($bn)	70.6	79.0
Real GDP growth (%)	1.8	1.3
GDP per capita ($)	6920	7750
Components of GDP (%)		
Private consumption	70.6	
Total investment	20.0	
Government consumption	19.7	n.a.
Exports	22.7	
Imports	–33.2	
Agriculture as % of GDP	16.3	n.a.
Consumer prices (% change pa)	19.5	15.8
Ind production (% change pa)	–1.5	–1.5
Unemployment (% of lab force)	7.7	9.2
Reserves minus gold ($bn, Dec)	5.2	4.8
Narrow money growth (% pa)	16.4	16.4
Broad money growth (% pa)	8.4	13.8
Discount rate (% pa, year end)	19.0	19.0
Public sector deficit as % of GDP	113.2	116.2
Current account balance ($bn)	–1.5	–2.0
Exports ($bn)	8.7	9.6
Imports ($bn)	21.5	21.6
Trade balance ($bn)	–12.8	–12.2
Main trading partners (1991, % by value)	Exports	Imports
Germany	23.9	19.3
Italy	16.7	14.2
France	7.5	7.7
UK	6.8	5.4
EC	63.4	60.2

Source: IMF, Datastream, Economist Intelligence Unit







Kerin Hope looks at the effects of deregulation in banking

Institutions focus on bad debts

COMPETITION is intensifying in Greek banking as private banks continue to chip away at the market share of the state-controlled institutions.

While the private banks were taking advantage of deregulation to offer a sizeable range of new products, the attention of state-controlled banks has been focused on sorting out bad debts.

Not before time, the Greek government stepped in to address a serious anomaly in the banking system whereby state banks gave a gloss of respectability to their balance sheets by accruing interest on non-performing loans.

In addition to setting capital adequacy requirements for Greek banks according to Bank for International Settlements (BIS) rules, a new banking law laid down that interest could no longer be charged on loans left unserviced for more than 12 months.

The result has been a dramatic fall in profits for National Bank, the largest state-controlled bank, from Dr43bn ($215m) in 1991 to Dr22.5bn last year. National Bank wrote off Dr30bn in bad debts in 1992, while interest losses on doubtful loans amounted to Dr27bn.

Of the state-controlled banks, National Bank is burdened with much the largest portfolio of bad debts, the result of decades of being forced to make loans on political criteria to businessmen favoured by successive governments.

Ionian Bank, also state-controlled, posted profits of Dr8.1bn for 1992, a 48 per cent decline from the previous year, after increasing provisions for doubtful debts to Dr11.5bn.

Ionian's loan book now contains about Dr55bn in non-performing debt, equivalent to 20 per cent of total lending, according to bank officials. The bank hopes eventually to recover about Dr30bn of this amount.

According to analysts, the market sbare of the state-controlled banks has dropped from more than 80 to around 70 per cent in the past four years. Deregulation has permitted the private banks to exploit their comparative advantage of greater flexibility and better technology.

However, the half dozen new private banks that have joined the market since 1990 cannot yet be called fully established. Their combined market share is less than 5 per cent, according to most estimates.

This is forecast to grow slowly but steadily as their activities expand, again at the expense of the large state banks. Mr George Gouticas, chairman of Euromerchant Bank, which belongs to a group of private banks controlled by the Latsis shipping family, says: "To be successful you must develop a range of activities. There's not really enough scope in Greece to specialise."

A new law prohibits interest being charged on loans left unserviced for more than 12 months

Euromerchant, with a capital base more than double the Greek licencing requirement of Dr4bn, has focused on corporate lending and private banking. However, it has not neglected the business of growing a deposit base. Its branches are more imaginatively located than many: there is one in a leading Athens supermarket and another in a private medical clinic.

Private banks, together with the 20-odd foreign banks with branches in Greece, are also expected to gain most from the central bank's latest moves to liberalise regulations.

Full liberalisation of interest rates came with the central bank's abolition earlier this year of the basic 18 per cent savings rate, the last administered rate. It brought a marked increase in the variety of interest-bearing accounts available to depositors.

Still, so long as the government is obliged to raise more than Dr150bn each month, mostly in high-yielding treasury bills, to finance the public sector deficit, real interest rates can be expected to remain high.

The effects of the biggest changes have yet to be felt. In May, the central bank lifted controls on all foreign exchange transactions except for short-term borrowing in drachmas from abroad and transfers of paper, such as cheques. The remaining curbs are to be lifted in July 1994 under an extension agreed with the European Community.

However, it will be several months before the banks are ready to take advantage of the new freedom in forward transactions.

The government has decided to go ahead with the privatisation of four small state-controlled banks, including several subsidiaries of larger credit institutions. All are profitable, with nationwide branch networks, but have suffered from being used as receptacles for patronage eppointments.

Following some confusion last year over the sale of Bank of Piraeus, a subsidiary of the state-controlled Commercial Bank, which was criticised for a lack of transparency in the deal, the preferred method of privatisation will be through tender offers on the Athens Stock Exchange.

Earlier this year, Hanwha First Investment, a subsidiary of South Korea's Hanwha group, acquired control of Bank of Athens, a subsidiary of National Bank, through such an offer. Bidding in association with Rabobank of the Netherlands, Hanwha paid Dr6.83bn for a two-thirds stake in Bank of Athens.

Direct investment in the Balkans is increasing, says **Kerin Hope**

Opportunities with high risks

GREEK businessmen who trade in the Balkans are used to setting up unusual deals. Still, the antrepreneur who was offered a Russian nuclear submarine "whole or in parts" while in Romania admitted to being surprised.

It is widely acknowledged in Athens that doing business in Romania, Bulgaria and Albania offers opportunities not to be found elsewhere, in spite of the high risks. Greek companies have set up more than 1,200 joint ventures in these countries, though only a few hundred are active on a reguler basis.

Direct investment by Greek companies is gradually increasing, especially in Bulgaria where the framework for foreign investment is less uncertain.

A recent study by Ekome, a private Greek research organisation, notes that bureaucracy is a difficulty to be overcome before setting up in Bulgaria but there are few administrative problems once businesses are in operation. It says that contracts are generally respected and distribution networks are adequate.

Although Bulgaria's privatisation programme is far behind schedule, foreign companies can take over state-owned enterprises there, with government approval being granted on a case-by-case basis.

The experience of Hellenic Bottling Company, the Coca-cola franchise-holder for Greece and Northern Ireland, illustrates how the existing infrastructure can be adapted.

HBC holds majority stakes in four joint ventures set up with state-owned bottling plants around Bulgaria to produce Coca-Cola and a minority stake in a similar venture in Sofia. Its total investment is budgeted at $25m.

"We were going into completely unknown territory, with no idea how long it would take to start up. Our partners are

Continued on page 3

Robert Mauthner on the Balkan obsession

Neighbours evoke old suspicions

GREECE'S progressive integration in the western world's leading organisations, such as the European Community and Nato, has done nothing to lessen its historical obsession with Balkan problems and its volatile relations with its neighbours. On the contrary, the ending of the cold war and the growing economic problems within the EC, which has switched some of the spotlight from Greece's own economic failings, has allowed Athens to devote even greater energy to Balkan affairs.

That interest and concern is not, of course, entirely in the Greeks' own minds. It is natural that the break-up of Yugoslavia and the resulting conflicts so close to its borders,

Turkey has not shown any signs of exploiting the Balkan situation

particularly in Bosnia-Hercegovina, should preoccupy the Greek government and public opinion. What can be questioned, however, is whether the undoubtedly worrying situation in the former Yugoslavia and some of the surrounding regions, should evoke reactions and policies from Greece, some of which appear to be more appropriate to the early part of this century than to an era in which Greece's allies and partners are guarantors of its territorial integrity.

The war in Bosnia, recalling at least in Greek minds the ancient struggles between the Islamic and the Christian worlds, has conjured up all the old fears about Turkish and Islamic domination of the region. There is talk in Athens about a "Turkish arc" stretching from Turkey via Macedonia to Albania, if the Moslem populations of Bosnia, Albania, Kosovo and Macedonia are allowed to get out of hand.

To be worried about the stability of the region, particularly if there is an uprising in Kosovo which, though part of Serbia, has a predominantly Albanian population, is one thing. Turkey, however, has not shown any signs recently of wanting to exploit the situation in the Balkans. Though urging the international community to act more vigorously in support of the Bosnian Moslems, it has been careful not to take any unilateral action.

With the election of Mr Suleyman Demirel, first as prime minister and recently as successor to the late President Turgut Ozal, the heat has been taken out of some of the traditional Greco-Turk bilateral problems, such as quarrels over the Aegean continental shelf and airspace. The Cyprus talks at the United Nations remain deadlocked without, however, generating too much tension between Ankara and Athens and Turkey has now accepted that it has no chance of joining the European Community until the next century, even if Greece were to adopt a more accommodating attitude towards its application.

Yet in spite of the relatively quiescent state of Greco-Turk relations and the fact that the Turks are increasingly turning their attention to central Asia, the Greeks remain suspicious that their traditional enemy will be up to something in the Balkans as soon as it has a chance. The improvement in Turkish-Bulgarian relations, following the demise of the communist regime in Bulgaria and the adoption of more liberal attitudes towards inhabitants of Turkish origin in that country, is seen in Athens as more of a potential threat to Greek interests than a welcome contribution to regional stability.

The long-running row over the name under which the former Yugoslav republic of Macedonia should be recognised as an independent and sovereign state is symptomatic of these historical and deeply-ingrained Greek attitudes and a reflection of what one foreign diplomat has described as "a tremendous lack of national self-confidence".

Both the Greek government and a large majority of the Greek population insist that Macedonia, which is also the name of Greece's northernmost region, is part of the nation's cultural identity dating back to King Alexander the Great. To allow the former Yugoslav republic of Skopja, the name of its capital by which it is always called by the Greeks, to adopt Macedonia as its sole name and the 16-pointed star of Vergina, an ancient Macedonian symbol, as its flag, would be an insult to the Greek nation and people, it is argued.

Even worse, it would endorse the territorial claims on northern Greece of those in the multi-ethnic former Yugoslav republic who harbour ambitions of uniting all Macedonians within one nation. It is true that such fears might once have been justified. If the communists, supported by Marshal Tito, and including many people of Slav origin, had won the Greek civil war in 1949, a carve-up of northern Greece might well have taken place. As it was, the defeated guerrillas fled over the border, giving rise to present-day Greek fears that some of their descendants have inherited their territorial ambitions.

The latest state of play is that Greece and Macedonia, which in March was allowed to take its seat at the United Nations under the temporary description of Former Yugoslav Repulic of Macedonia, or FYROM, have been given until September by the UN to resolve their dispute over a permanent name. They recently rejected the compromise name of "Nova Makedonija", proposed by Mr Cyrus Vance, the former UN mediator, because of their respective leaders' domestic problems. But they could well return to this suggestion during their direct talks over the next three months, which are also expec-

Athens' relations with its EC partners have been soured unnecessarily

ted to deal with confidence-building measures, such as guaranteeing Macedonia access to the northern Greek port of Thessaloniki (Salonika).

The net result for Greek foreign policy, is that Athens' relations with its European Community partners and, indeed, a much wider group of UN members, have been soured quite unnecessarily, given that it was always clear that a compromise had to be reached at the end of the road.

Nor has Greece's international standing been enhanced by its close relationship with Serbia at a time when that country has been condemned throughout the world for its support of the Bosnian Serbs and has been punished by international sanctions. The moment of glory enjoyed by Mr Constantine Mitsotakis, the Greek prime minister, when he was perceived to have contributed to the conclusion of an international peace on Bosnia at an Athens meeting in May, was all too short-lived, since the plan was rejected by the Bosnian Serb assembly a few days later.

The close alliance with Serbia, based once again on a common Christian Orthodox faith and the belief that Greece and Serbia can build a bulwark against the perceived expansionist designs of Turkey and other Islamic nations, appears to the rest of the world as ill-founded and short-sighted. It is yet one more example of a policy which, by focusing entirely on the country's short-term regional interests, risks losing Greece more friends in the western world than such a small country can afford.

SHE HAS kept a low profile since returning from Brussels in January after serving as the European Community's commissioner for social affairs. But if the Panhellenic Socialist Movement returns to power, Vasso Papandreou may find herself responsible for trying to improve Greece's relationship with its EC partners.

"The climate towards us is still negative, both because of the economic situation and our policy on Skopje (Macedonia)," she says. "The only thing that's changed is there are so many other pressing problems, there's less time for getting upset with Greece."

She notes that in spite of the conservative government's avowed commitment to European union, Greek attitudes towards the community are still based on taking rather than contributing. By way of example she names two prominent cabinet ministers who have never bothered to attend an EC ministerial council, preferring to send an under-secretary instead.

Vasso Papandreou: sharply critical of the government's attempt to reform the economy

Profile: VASSO PAPANDREOU

Compromise specialist

Ms Papandreou, an economist by training, is sharply critical of the government's attempt to reform the economy. She argues that the present stabilisation programme was too ambitious in its targets for cutting inflation and the public sector deficit.

"What was needed was a medium-term approach. It's just not possible to bring inflation down from 22 per cent to single digits in the space of two years," she says.

A more coherent policy is needed to reduce tax evasion, she says. Rather than simply reducing the tax burden for high- and low-income earners, as the government did last year, in the hope that the wealthy will be encouraged to declare more of their income, a different approach is needed.

"With the highest proportion of self-employed earners in the community, about 30 per cent, we have to use objective criteria of income. How about a property tax, for example?" she says.

Ms Papandreou is sceptical of Greece's chances of meeting the Maastricht targets for economic convergence, though she is by no means convinced that other EC members will manage to keep the current timetable for economic union.

"But in any case, it's not just a question of fulfilling macro-economic targets, but of real convergence, which means that Greece's per capita income must rise to the EC average," she adds.

When Pasok was in power in the 1980s, Ms Papandreou – who is not related to Mr Andreas Papandreou, the socialist former prime minister – held a succession of junior ministerial posts, from research and technology to trade.

Despite a reputation for being a radical, she became popular with scientists and businessmen alike for her willingness, rare in Greek politics, to build compromises.

If Pasok comes back to power, she would join the moderate faction that calls for a consensus approach to government, in contrast to the fierce polarisation of political life cultivated by the socialists in the 1980s.

"Coming back to Greece this year, I was aware of a sense of frustration, that the politicians were failing to offer anything substantive. There is much more discontent than there used to be. On the other hand, there's a greater maturity, especially among the business community which is now much better equipped to compete in Europe," she says.

For all Ms Papandreou's studied composure, there is a definite glint of enthusiasm in her eyes at the prospect of an election, not to mention the longer-term changes it will set in motion.

"There's going to be a period of uncertainty over the next year or so as things are shaken out. But the departure of the old political leaders will make it possible for attitudes to change," she says.

Kerin Hope

Profile: DELTA DAIRY

Streamlined food producer

WITH ITS matt grey floor and stainless steel fittings, the office of Dimitris Daskalopoulos, chief executive of Delta Dairy, bears more than a passing resemblance to a streamlined milking unit.

In fact, Delta has moved on from being Greece's largest fresh milk producer to become its biggest food processor, adding ice-cream, chilled fruit juices and frozen foods to the product list.

Turnover reached $235m last year, up from $160m in 1990, the year that the company launched a $210m investment programme to expand its dairy output. Pre-tax profits totalled $28m in 1992, a 5 per cent decline from the previous year.

Last year, the company added new lines in juices and a series of milk products aimed at the children's market, where consumption of tinned milk has remained surprisingly high.

Sheep and goats used to be the main source of milk supplies. The fresh milk supply was often limited to the surpluses from cheese and yoghurt-making. Although output of cow's milk has soared, Delta is still obliged to offer producers incentives and considerable back-up.

"Getting hold of enough fresh milk to meet steadily rising demand is a constant problem," Mr Daskalopoulos says. "Fresh milk is a basic product but it's still a big struggle to get our EC production quota increased, and we haven't yet raised the issue of importing milk from the Balkan countries with Brussels."

Under Delta's vertically integrated system for milk production, Greek farmers are offered favourable terms for buying cows imported from the Netherlands.

To help standardise production, Delta acquired an animal feed plant which sells to its milk producers at subsidised prices. Refrigerated milk tanks are supplied free of charge and the company also runs seminars for farmers, as well as a veterinary service.

Delta will start competing seriously in the yoghurt market at the end of 1993, when its new $30m plant outside Athens is due to start up.

"It will be tough at first because we're entering a mature market, competing against well-established rivals. But it was the next move to be made, considering that we also plan to export yoghurt," Mr Daskalopoulos says.

Juice production has grown by leaps and bounds since Delta introduced chilled orange juice to the Greek market four years ago. Its Life brand has built up a 30 per cent share of the overall fruit juice market. This year, Delta started exporting chilled fruit juices to France under its own label, Delios, which are distributed by a French-based subsidiary.

"We're in all the main French outlets, and we're doing quite well, especially with small packs," Mr Daskalopoulos says.

However, the difficulties of transporting refrigerated juices across Europe have worsened following the ban on transiting the former Yugoslavia, imposed when UN sanctions were tightened in April.

Faced with a 25 per cent increase in transport costs and a loss of up to five days in the product's shelf life, Delta decided to move some production to Switzerland. A Swiss food processor, Milco, is to produce chilled fruit juice under the Delios label for sale in France, Switzerland and northern Italy.

The decision underlines Mr Daskalopoulos's uncertainties about prospects for export growth to western Europe, "where it's really very difficult for Greek companies to compete successfully".

He thinks the outlook is brighter in the Balkans, in spite of low consumer spending there. Delta has invested about $4m in a joint venture to produce and distribute ice-cream in Bulgaria.

"We've started sending ice-cream to Albania and Romania, where we're looking for production facilities. We're developing a master plan for expanding into the Balkans that will also cover fruit juices and yoghurt," Mr Daskalopoulos says.

Kerin Hope

Opportunities with high risks

Continued from page 2

local co-operatives, together with the central co-operative organisation," says Mr Gerry Reidy, managing director.

HBC found there was a "critical mass on which to build a business" with soft drink consumption at the same per capita level as in Greece in 1981, he adds.

The company's investment covers upgrading and extension of buildings, machinery and distribution vehicles. With four in operation from the start of this year, the joint venture has started to show a return, with pre-tax profits totalling $600,000 by last month.

The main difficulty, according to Mr Reidy, lay in changing the attitudes of a workforce indifferent to how the business was being run. Language was also a problem, with comparatively few English-speakers available.

HBC intends to avoid these problems in Romania, where it plans a similar-sized investment, by starting production of Coca-Cola on two greenfield sites. The company has a franchise covering more than one third of the country.

The other high-profile Greek investor in Romania and Bulgaria is Intralot, a subsidiary of Intracom, the telecommunications and software equipment producer in which Ericsson of Sweden has a 12 per cent stake.

Intralot will launch an electronic lottery game, based on one developed for the Russian market, in Romania next month. The company is providing systems and equipment for Ralps, the state lottery organisation to operate the "lotto" game. It has made a similar deal with Bulgaria's state lottery, the Bulgarian Sports Totalizator, due to start up by the end of this year.

The lottery games are the first stage in Intracom's efforts to position itself in what it sees as a promising market for telecommunications and informatics.

Mr Costas Tsoukalidis, technical director of Intracom, says: "We feel the big international telecoms operators have the edge in winning public sector contracts funded through aid programmes to eastern Europe. But there will be plenty of other opportunities developing."

In the wake of the businessmen, Greek banks are also entering the Balkan market. Credit Bank, the largest Greek private bank, is setting up a bank in Bucharest in which the European Bank for Reconstruction and Development has taken a 25 per cent equity stake.

Xiosbank, a private bank controlled by the Vardinoyannis shipping and oil group, has been given a licence to set up the first foreign bank branch in Sofia. Its main task will be to back up the group's rapidly expanding operations in Bulgaria. These range from a network of petrol stations and car dealerships to hotels and even a fashionable hairdressing establishment in Sofia.

The bank also expects to attract business from Greek-Bulgarian joint ventures and Bulgarian exporters.

"The Bulgarian central bank is trying hard to comply with European Community banking requirements. There are few problems with repatriation of funds. The main problem we have is finding staff because there are so few real bankers," says Mr Christos Katsanis of Xiosbank.

There is less activity in Albania because of the small market and the absence of even basic infrastructure. However, that has not deterred Greek businessmen from setting up small-scale projects, mainly in textile production and food processing, with the help of an extension of Greece's investment incentives law to cover much of Albania.

In addition, trade with Albania can now be handled in drachmas rather than hard currency under a special dispensation from the Bank of Greece. With more than 200,000 Albanian migrant workers in Greece sending cash home regularly, drachmas are widely available in Albania.

Mr Spyros Patseas, managing director of a trading company, says: "Being able to work with drachmas in Albania makes it possible to build more solid relationships there."

Anne Counsell monitors progress of the privatisation programme

Tight timetable for sale of OTE

THE fate of Greece's privatisation programme will be sealed in the coming weeks. Success or failure largely rests on the strategic sale and subsequent partial flotation of OTE, the state-owned telecommunications corporation.

"It is crucial," says Mr Stefanos Manos, the minister of national economy and driving force behind the government's sell-off of public enterprises. He remains confident that the equity sale will be a success and, perhaps as important, that it will be on schedule.

The timetable is very tight. An election is due before April next year, possibly earlier. The Socialist opposition, widely tipped to win, has vehemently opposed New Democracy's privatisation programme and has pledged to halt and even reverse the sell-offs.

The government has taken steps to maintain the support of pro-privatisation MPs during the summer session of parliament to push through enabling legislation for the privatisation programme as well as the charter and licence for OTE. The sale of a 35 per cent strategic stake in the company is expected by early September with an initial public offering (IPO) in November.

France Telecom, GTE of the US, NTT, Stet, Korea Telecom and Telefonica have been shortlisted to bid for the strategic stake prior to the equity offering of 14 per cent, valued at around Dr90bn, the largest so far in Greece. The flotation structure is 5 per cent to domestic investors, 5 per cent as an international tranche and the remaining 4 per cent will be offered at a discount to OTE's 27,000 employees and 13,000 pensioners.

International advisers and analysts swell the ranks of tha already well-staffed government offices. Credit Suisse First Boston and J. Henry Schroder Wagg have been appointed joint international lead managers while the international accountancy firm Arthur Andersen is winding up a complete audit of OTE. At the Athens Stock Exchange, Coopers and Lybrand are checking the trading system as concern has been voiced over whether the market can absorb such a large issue.

There is considerable bustle, tinged with urgency, as the preparations continue apace. The prospectus is expected to be in draft form by August, radio advertising is underway and a television campaign will start this month.

Analysts view the OTE strategic sale and IPO as not only vital to Greece's international credibility but also a potential turning point for the entire privatisation programme. The government is fighting for the hearts and minds of a population long accustomed to the state provision of jobs in public sector corporations.

Patronage appointments and the use of the public sector as a cushion against unemployment are viewed as a duty of the state and the monopolistic utility corporations as state assets. This attitude extends to suppliers and contractors who enjoy cosy relationships with public sector managers, to trade unions worried about job losses and to senior politicians concerned about the political cost of privatisation.

The unwieldy nature of the public sector and opposition from within the ranks of the government have not helped the privatisation process. Its presentation and image have also been tarnished by allegations that some smaller companies were sold on favourable terms to businessmeo and by the somewhat patchy success of some larger sell-offs such as shipyards.

The fate of the privatisation scheme hinges on the sale of the telecom company Picture: Anne Counsell

The process of unbundling state involvement in all aspects of the economy began in 1990 when more than 60 per cent of Greece's GNP was generated by the public sector. Ths government created tha Industrial Reorganisation Organisation (IRO) to liquidate or sell some 60 enterprises, many of these moribund, on its books. Many were liquidated through accelerated procedures and of the 27 companies in operation, the IRO now has three remaining – the Kerafina ceramics company, Athens Paper Mill and Larco, the nickel mining company. The $200m subsidy to maintain IRO companies has been eliminated and proceeds from the liquidations are keeping tha IRO running.

Privatisation sales in 1991 and 1992 amounted to almost Dr200bn, of which Dr124bn came from the sale of the Aget Heracles cement company to Calcestruzzi, a subsidiary of Italy's Ferruzzi group. The sale has been clouded by allegations that Calcestruzzi officials were involved in the payment of kickbacks to Italian politicians.

Contractual difficulties have also contributed to slippages in the privatisation timetable. The sale of a minority interest and management rights in Greece's two largest oil refineries, Hellenic Aspropyrgos Refinery (ELDA) and Hellenic Fuel and Mineral Oil (EKO), were delayed over the appointment of international advisers.The offering memorandum is now expected in October and lists of potential investors are being drawn up for one or both partial buy-outs, expected to raise up to $1bn.

A continuing stand-off between the government and managers at the state-owned Public Power Corporation (Deh) illustrates the depth of opposition over private sector involvement in utilities and the managements' ability to obstruct tender procedures. Deh maintains it can produce power more cheaply than private operators and wants to maintain control of its own development programmes whereas the government insists that Deh's debts are too high to finance new power stations. Asking the Deh management to co-operate with a private partner under build-operate transfer (BOT) financing is "akin to asking a man to chop off his own hand," commented one analyst. "Of course, they declined."

The retendering process for the 600MW Lavrion gas-fired power station is due to start in mid-summer as part of the recent spurt in the privatisation programme. The partial sale of 20 per cent of the Hellenic Sugar Industry, also slowed by management and union sabotage, is expected to be completed by early summer.

A important sale of assests belonging to the state tourism association (EOT) is also on the busy agenda for the summer parliament. Mr Athanassios Zambaras, special adviser to the privatisation team, expects considerable foreign interest, especially in packages combining the sale of a hotel with a marina or casino.

About 50 hotels, most of them small, will he sold while marinas are to he offered on long-term leases or as sites to private operators. In addition, a new regulatory framework is being established for nine casinos in prime tourist sites. More than 150 indications of interest have been received for the first round of selection this month and the casino licences are due to be awarded by early November. Licence revenues are estimated at Dr22bn.

Privatisation plans for Olympic Airways remain on the distant horizon because of huge cumulative debts and non-performing loans estimated at more than Dr200bn. A new chairman has been brought in from the US and auditors are working on the balance sheet as part of the fix first, sell later approach to the airline. Olympic, which posted an operational loss of Dr13.2bn in 1992, requires either a debt write-off or substantial financial restructuring, possibly both, before it can contemplate seeking a strategic partner.

A somewhat overdue drive towards greater transparency in the privatisation process may have come too late to overcome deep-seated prejudices and opposition. More important, the potential benefits will not be immediately obvious to the majority of voters before the election.

A special correspondent discusses the reasons why Greek shipowners are enlarging their fleets

Rush for new acquisitions accelerates

GREEK shipping is still an offshore industry, although it makes a generous contribution to inflows of foreign exchange, injecting more than $2bn into the domestic economy in 1992.

Greek-owned merchant ships accounted for 14.1 per ceot of world tonnage in March this year, totalling 2,479 vessels and almost 104m deadweight tonnes. They are just as likely to be operated from offices in London and New York, Monaco and Montevideo, as from Piraeus. The ships are registered under numerous flags and employ a patchwork of nationalities in their crews.

By June, the Greek-controlled fleet had jumped to 2,835 ships totalling 107.5m dwt, representing almost 52 per cent of the European Community fleet.

Since January, Greek owners, wherever based, have spent at least $1bn on sales and purchases. One London-based broker estimated that out of a total of around 450 second-hand ship purchases in the first half of this year, as many as 350 vessels had gone to Greek owners.

At the same time, Greek owners have been putting in orders for new buildings for the first time in many years. Asian yards, notably in South Korea, have received orders worth $700m in recent months. Greek owners have also jumped at opportunities to take over contracts placed with east European and former Soviet shipyards, at very attractive prices.

So far, however, the reasons behind the Greek rush for acquisitions remain unclear. Are Greek owners taking advantage of comparatively low ship prices to position themselves for an international economic recovery? Or are they looking for a quick return on their investment as prices are pushed upwards?

"The US and Europe keep seeing green shoots but from here we don't see any sustained growth yet," says a Piraeus banker.

However, the shipping industry is more likely to be driven by fundamental changes in demand rather than by fleet growth and tonnage supply. As Mr Dennis Stonebridge, of Drewry Shipping Consultants, pointed out recently: "There is fairly close correlation between peaks and troughs in the shipping market and business cycles in the world economy. Any global economic slowdown has always, after a time-lag, undermined the financial performance of the shipping industry."

The revival of Greek orders for new vessels can be attributed to tougher regulations to cut marine pollution. Three of the four double-hulled, double-skin very large crude carriers (VLCCs) delivered this year went to Greek owners.

In the wake of the Exxon Valdez disaster and the ensuing American Oil Pollution Act (OPA 90), companies trading with the US have started to make the huge investments called for by the new regulations.

The London-based operator Lykiardopoulos took delivery in January of the 280,000 dwt Arosa from Hitachi Zosen, the Japanese shipbuilder. In March, the Onassis group took delivery of the 280,000 dwt Olympic Loyalty from Sumitomo Heavy Industries. In May, the G S Livanos group took delivery of the 301,824 dwt Chios from Hyundai of South Korea.

As one analyst puts it: "All three vessels can be considered the latest in ecologically-conscious tonnage that will give a boost to their operators' image."

Eletson Corporation, the Piraeus-based operator of products carriers, recently placed an order for two 45,000 dwt double-hull, double-bottom ships with Hyundai. The company says it has invested $900m in new ships over the past eight years.

Even owners who had been content to operate with older tonnage have been buying newer vessels, reflecting a growing tendency among charterers to be more demanding about the state of vessels.

There is no shortage of opportunity, as the state-owned shipping companies in the former eastern bloc struggle to find ways of surviving.

Last month, Forum Maritime, the Piraeus-based operator, reached agreement on a $650m deal to acquire a 51 per cent stake in Petromin, a Romanian state shipping company. Forum agreed to pay $335m in cash instalments, with the remainder to be covered through repair and upgrading of vessels. Forum will manage more than 100 vessels belonging to Petromin, totalling some 4.5m dwt.

The deal followed a number of smaller agreements between Greek owners who took over Romanian ships on a bareboat charter basis. The Greek operator also agreed to finance repairs and improvements as needed.

The Forum deal, criticised for its lack of transparency, stirred considerable political controversy in Romania. But with much of the country's commercial fleet laid up and some vessels left unfinished in state shipyards, the deals with Greek owners offered the Romanian government a solution to the problems of fleet expansion and replacement.

For their part, some Greek operators have found that the Romanian vessels, though solidly built, needed more work than expected. Greek operators who have taken over Russian vessels have similar complaints.

"Structurally, the east European ships will last and last. But they aren't designed for cost-effective operating, their engines are often in bad shape, and crew living conditions are unsatisfactory by western standards," says one analyst.

Anne Counsell discusses the quiet revolution in the wine industry

Prizeworthy taste of success

GEORGE Skouras predicts a good year for his Megas Oenos wines. He has already had a head start; the 1990 Megas Oenos carried off first prize in the category of full-bodied, expensive reds at the Wine America exposition in New York and his entire production for 1993 has been pre-sold.

Not bad for a small producer of little known Greek wines, but his success story is part of a bigger, but quiet revolution – the emergence of good quality Greek wines produced by discerning winemakers experimenting with indigenous and international grape varieties.

Nothing taints the palate or the reputation of Greek wines more than the lingering aftertaste of a bad retsina. Unfortunately, the bitter taste of the pine resin, originally added to preserve a mediocre wine or camouflage a poor one, has become synonomous with Greek wines in general.

Mr Skouras and a small band of winemakers are improving this image by an emphasis on quality and consistency and by reviving interest in traditional vineyard areas.

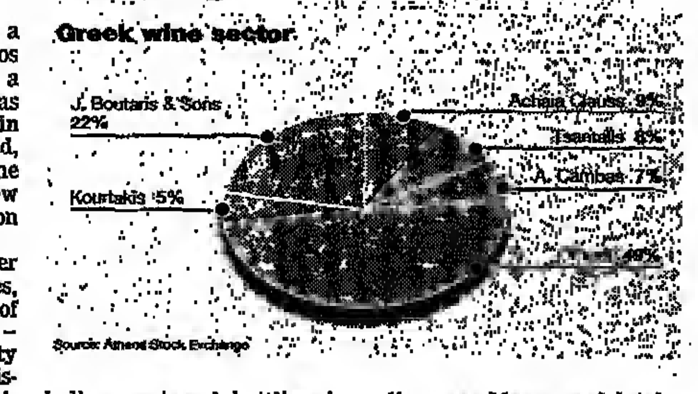
The Nemea region in the Peloponnese illustrates the range of production techniques and the diverse qualities of Greek wines. Vineyards hug the hillsides and occupy almost all the available land in the fertile Nemea valley, a basin area encircled by craggy outcrops of rock.

There is an air of order and purpose in the valley. Seemingly endless rows of vines grow on neatly aligned supports to achieve optimum growth. The Agioritiko red grape is grown in Nemea under a controlled "appellation of origin" and produces a dry wine with a rich bouquet and velvety taste, not dissimilar to Cabernet Sauvignon.

Most of the leading producers offer a Nemea variety, many aged in oak barrels to improve body and aroma, in their portfolio of regional labels. The Nemea area embraces a range of production and marketing methods; from small grape growers with a couple of hectares to Ktemata (estates) with their own wineries and bottling plants.

The region produces about 20,000 tonnes of wines a year from an area of just over 1,000 hectares. There are 40 wine producers and about twice as many small grape growers who sell their harvest to the wineries at a producer price of Dr80 a kilogramme.

A gleaming new co-operative winery built with the aid of EC funds occupies a prime site in the centre of the valley. It is here that many small growers bring their harvest, which is then processed and blended for bulk export and bottling in Italy. Even at this lower end of the market, efforts are being made to achieve consistency and to improve standards.



Other growers sell their grapes to the large producers or to independent wineries such as that owned by Mr Skouras. In return for paying a higher price to the growers, they maintain a watchful eye on vineyard practices.

George Papaiannou and his father Athanasious cultivate an area of 30 hectares in the valley and their family winery produces between 10 and 15,000 cases a year with a range of eight labels.

The Hellenic Export Promotion Organisation has awarded the elder Mr Papaiannou prizes for vine growing and cultivation of experimental varieties.

However, the Papaiannous are purists. They do not blend grape varieties, and are insistent that meritocracy for indigenous grapes is the way forward. Local connections are reflected in the labels, one of which depicts the lion slain by Hercules at Nemea.

Their winery exemplifies the efforts being made by small and medium-sized producers towards a consistent, better quality wine.

It is also an illustration of the marketing and distribution difficulties which beset many Greek industries and which have hampered the effective promotion of wines. Mr Papaiannou complains about the lack of good export agents, as many are particular about price and less so about quality. "This is bad for the image of Greek wines abroad," he says.

Mr Skouras, however, has had more success, largely because he has not relied on the vagaries of the local agent system. Bottles in hand, Mr Skouras sought out the reputable restaurants and cavas, selling the wines one by one on merit.

Slowly he established a list of clients and won customer loyalty through consistent supplies and personal services. He also gave his Cambello table wines a high profile. The Cambello red, white and rose wines feature in information leaflets for visitors to the Neuplia area. Maps, useful telephone numbers and descriptions of local sites are outlined in five European languages.

Mr Skouras has also managed to penetrate the American market through personal contacts with a wine importing and distribution enterprise in Chicago.

However, many of the independent producers have neither the contacts nor the energy of Mr Skouras and have to rely on the more haphazard agent system. For this reason, it is mainly the large producers who have been successful in securing export outlets.

Boutari, the market leader, has outlets in Belgium, Germany, Denmark, Holland, the US, UK and Japan. It produces more than 25m bottles a year, of which 20 per cent are destined for export markets.

With its purchase of the Andrew P Cambas company in 1991, Boutari now commands 39 per cent of the local market and has been a leader in the renaissance of Greek wine making by drawing on its presence in many of Greece's long-established wine-producing regions. The Boutari empire stretches from Macedonia in the north to the island of Santorini, and its Classic labels use the indigenous grapes of each region.

Much of the recent focus on improved quality has been initiated by larger companies seeking to expand their export outlets in an increasingly competitive market. Wines from France and Italy jostle for shelf space in supermarkets and off licences as an ever-increasing range from the New World and emerging producers enter the international market.

This realisation has woken up Greek producers. Constrained by the terrain which precludes a huge increase in output, producers have begun to focus on the virtues and potential of indigenous grape varieties.

Hail to the cabbie

The Regent, London's newest luxury hotel, officially opens its doors today.

A magnificent reconstruction of the Great Central, one of Victorian England's grand railway hotels, the Regent, on Marylebone Road, retains much of its original stained glass and boasts an eight-storey, glass-roofed atrium. The problem is that few people know where it is.

To counter this, the Regent, part of the Canadian Four Seasons group, began a campaign late last year to ensure that guests who asked to be taken to the hotel were not greeted with blank incomprehension by London's taxi drivers.

The hotel placed an advertisement in Taxi Newspaper, journal of the Licensed Taxi Drivers' Association, last December offering readers a free packed continental breakfast if they came to the hotel between 5.30 am and 7.30 am.

The offer was repeated in February. Seven hundred breakfasts were served.

Each driver who brought a coupon from the ad was also given three books of receipts to give their customers. The receipts had the Regent's name on the back.

On Park Lane, a better-known hotel district, the Inn on the Park, also part of the Four Seasons group, has turned to taxi drivers, too.

The Inn on the Park is one of London's best-known and most highly-regarded hotels. Five years ago, it changed its name to The Four Seasons Inn on the Park, but most people sensibly ignored this mouthful and continued to use the old name.

Last week the hotel shortened its name to the Four Seasons, raising the prospect of further confusion. A few weeks ago, the Inn on the Park placed an advertisement telling Taxi Newspaper readers it was changing the name.

The hotel followed up with a competition, asking questions about six other cities which have Four Seasons hotels. The winner gets a week for two at a Four Seasons hotel in the US, along with $300 (£200) to spend on taxi fares.

Michael Skapinker

A rocky marriage

Nikki Tait reports on Marks and Spencer's attempts to popularise its Brooks Brothers chain in the US

Over half the men's suits sold at Brooks Brothers, the prestigious US clothing chain, are now peddled "wardrobe" style. This means the purchaser picks out a jacket from one rail and trousers from another, rather than buying a paired combination or having the outfit tailored from scratch. If the notion sounds familiar to British ears, that is because it was imported from Marks and Spencer, Brooks' UK parent.

For Paul Smith, the M&S director who supervises US operations from New York, "wardrobe suits" are a sensible transfer of retailing technique – although Bill Roberti, Brooks' chief executive, admits that it took three stabs at the concept before the US retailer "got it right".

But, from a broader perspective, this novel selling practice seems to epitomise the dilemma facing the British retailer as it struggles to make a five-year-old US marriage work. M&S is a skilled mass-marketeer. How, and to what extent, can it popularise Brooks – founded in 1818 and one of the nation's oldest retailers – without tainting the latter's classic image?

M&S needs to get the answer right. It acquired the US retailer for $750m (£500m) in 1988, and has since admitted that it overpaid. Brooks was then making profits of $24.5m after tax on sales of $290m. Earnings promptly tumbled and, five years later, the US unit is still struggling to match the 1988 results. In the 12 months to end-March this year, Brooks' operating surplus was £12.6m on sales of £338.3m.

Bill Roberti acknowledges that the post-acquisition period was tough. But, in 1991, the two companies agreed a strategic plan for Brooks which aimed to help the US group grow without undermining its preppie customer base. This includes:

● A new "prototype" store. Encompassing around 6,000 sq ft of selling space, the model is about half the size of the traditional Brooks outlet, and is designed to fit more neatly into heavily-shopped malls. "There's a wide frontage and less depth in the interior . . . it gives us more flexibility," says Smith.

To date, about 10 of these "new" outlets have been rolled out, sometimes replacing existing stores and sometimes taking Brooks into new markets. The first was in St Louis, where Brooks had originally operated a "traditional" store on an uninspiring downtown block. It switched the business to a new-style outlet, sited in a glitzier mall nearby. Roberti claims that while the retail footage shrank by 60 per cent, sales doubled.

● A "factory outlet" business, selling surplus stocks at discounted prices. In part, this replaced a previous system whereby Brooks sold its remaindered merchandise to Filenes, a New England-based chain of "off-price" clothing stores.

But the factory outlets are also supposed to market the Brooks name. By placing them in vacation resorts, M&S hopes to inveigle casual shoppers through the doors and thus convince them that Brooks Brothers is not always synonymous with top-of-line prices. More people, runs the thinking, might then be encouraged to shop at mainline Brooks stores.

● Licence income and new markets. On the one hand, M&S wants to utilise the Brooks name via licensing deals; it has, for example, signed an agreement with Luxottica, the world's largest eyewear frame manufacturer. On the other, it plans to take the Brooks Brothers retail business to new countries. Brooks Brothers products are already sold in Italy and Japan, and more plans are being laid.

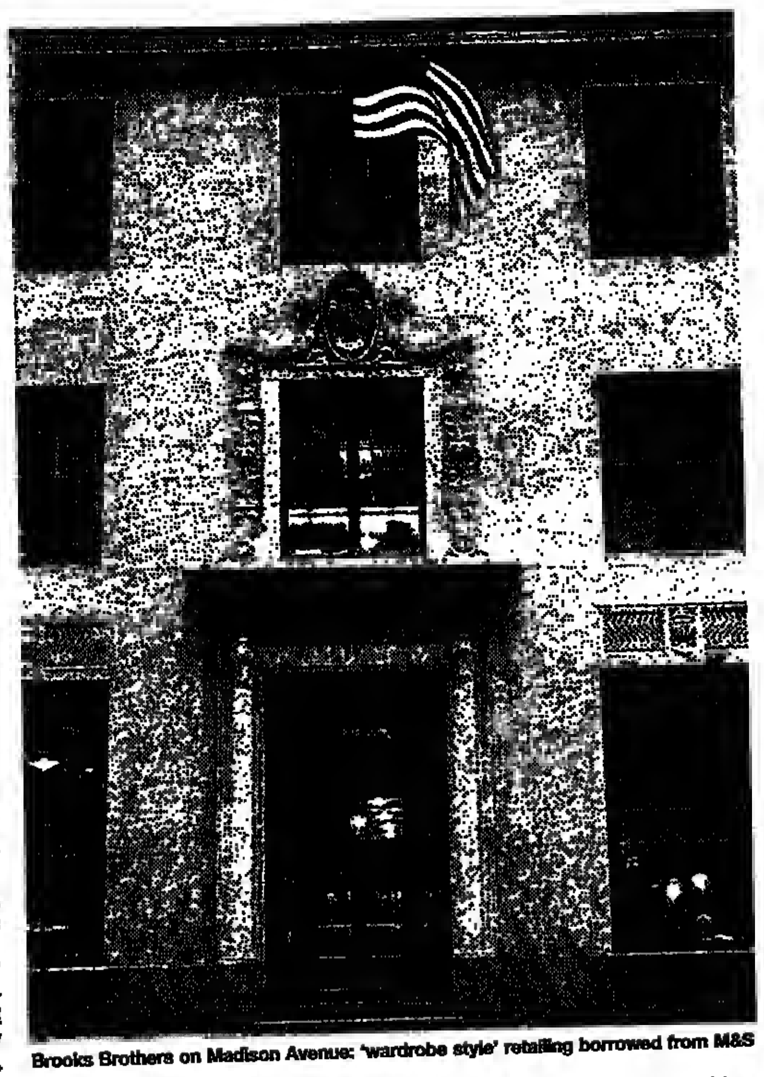
"By the end of this year, we'll have a couple of business plans in place for another far eastern country and another European country," says Smith. "A joint venture? It depends where we go for. If it is Hong Kong, where there is an M&S office, or Paris, we might be able to do it on our own. In other countries, I think we'd need a partner."

● Operational changes. These have ranged from altering staff remuneration, to the sale of the credit card business. They have not always been easy to implement. M&S ran into a strike threat in the New York stores, for example, when it tried to move employees away from the old departmental commission-based pay structure and towards higher basic salaries – although the revision finally went through. On the distribution front, it is still preparing to move to a controlled central warehouse system and away from the historic arrangement whereby suppliers drop shipments directly to individual stores.

The problem is that many of these move are costly and M&S, having forked out generously for Brooks in the first place, does not seem anxious to provide further largesse. For the past few years, emphasis has been placed on upgrading Brooks' computer systems and improving stock control. The new store programme has been correspondingly constrained. Only three new Brooks stores opened last year, plus nine factory outlets. This pace should pick up in the years ahead, but Roberti is clear that his capital expenditure plan "should never exceed Brooks' cash-flow and often fall below".

Problem number two is the US retail markat. This is extremely competitive, and most retailers – from specialist fashion chains to department stores – have been emphasising "value-pricing" in recent years. Brooks, whatever the justification, is widely viewed as an expensive option. Smith knows this and says the M&S board has agreed the unthinkable: Brooks will run a national advertising campaign.

Still, everything has yet to be proved. While Brooks boasted an 8 per cent sales increase last year, the underlying salas growth from its existing stores was a less-than-impressive 3.5-4 per cent range. Perhaps the big plus to date is that few old-established Brooks customers seem to notice much difference under the M&S regime. One Manhattan shopper, who has brought suits from Brooks' Madison Avenue store for decades, says he heads for the same department where his measurements remain safely stored. Wardrobe selling, be admits, has passed him by.



Brooks Brothers on Madison Avenue: 'wardrobe style' retailing borrowed from M&S

Easing lines of communication

Phone bills are becoming easier to read, says **Hugh Aldersey-Williams**

If UK telephone customers find their bills easier to read these days, they have Clear Communications to thank. Part of Siegel and Gale, the Saatchi and Saatchi-owned communications group, the new company was launched in June.

Its arrival signals the priority now being given to clarity and directness in company literature and other public dealings.

The telephone bill, which was called the "telephone account", until Clear Communications got hold of it, is in some respects just as complex as the old bill. There are more subtotals rather than fewer leading up to the one number you really need to know – the one you will write on your cheque.

This is because the aims of clarlty are often at odds with marketing demands from companies, such as BT, offering special options and customer incentives. Improvements only go so far and groups, such as the Plain English Campaign, remain critical of official gobbledagook. Some arcane details remain unaltered.

Why, for example, do BT's customer account numbers bear no relation to the unique numbers by which all customers are already known – their telepbone numbers? US telephone companies have abolished this anomaly. Nor do the bills reveal another piece of information customers want – the date they really have to pay by.

Much of the demand for simpler, clearer company communications originated in the US, where Siegel and Gale has long held a commitment to what it calls "language simplification". In Britain, recent months have seen complaints about form-filling and paper-pushing from bodies as diverse at the Metropolitan Police and the Arts Council.

A study by Siegel and Gale with KPMG Peat Marwick shows that documentation can consume up to 10 per cent of operating costs, but that only one senior manager in 15 knows this.

Matters are often so desperate that any change is an improvement. But better may not be good enough. Simplification should not be used solely as a marketing tool but seen as a good thing for its own sake. There is no substitute for sincerity, according to Chrissie Miles of the Plain English Campaign.

Technology is one reason for current improvements. The new telepbone bill's secret is thet it is laser-printed. This allows bills to be designed to present more of the company's information and yet still appear simplar to the customer.

Computers edit data so that bills may be prepared for particular customer types and yet still be printed economically.

"One of the keys is being able to customisa information," says Susie Gear, director of Clear Communications. This much was possible before. Tbe advantage of laser-printing is that it presents this information elegantly, in typefaces that blend with the BT corporate style rather than hard-to-read computer capitals.

Barclays Bank reports a 75 per cent increase in applications from students in the year, following the introduction of Clear Communications' Barclaycard application form. Students need only fill in the one form, ticking boxes to indicate whicb of several cards they wish to apply for, rather than filling in many forms and duplicating basic information, such as addresses, known to the bank from the first form.

Clear Communications is currently tackling the design of waybills for DHL, the express carrier, due to be used in August. Clear Communications found that DHL's use of 24 slightly different variants of the waybill slowed processing.

Customers filled in the confusing forms wrongly, leading to delays in customs and insurance losses, and did not read the company's Terms and Conditions.

The problem seems obvious in this case as in many others. But will the solution be that much better?

Probably not, according to the Plain English Campaign whicb awards "clarity diamonds" for clear writing. It surveyed soma of Siegel and Gale's work in the US.

"The stuff they've called plain English I wouldn't give a pound of tripe for," says Miles. Now, that's clear communication.

TECHNOLOGY

Multimedia's biggest test will be at the hands of the humble consumer, reports **Victoria Griffith**

Barriers to a brave new world

If computer and telecommunications executives have their way, the world will be a very different place 30 years from now. Government postal services and overnight couriers will have been forced out of business, as people rely on electronic mail to send letters and documents.

A traveller sitting on an aeroplane will be able to sign a letter using a pen-device and send it over a wireless phone. Newspapers will no longer be delivered to the doorstep: rather, a selection of articles, complete with illustrations, will be pulled up on a computer screen.

This vision of a futuristic world may not be far removed from reality. What will make some of these scenarios possible is the convergence of the telecommunications and computer sectors, forming the "multimedia" industry. The innovations of this new mega-industry may have an impact on our lives as profound as those wrought by the computer and the telephone.

"As a society, we have not begun to understand the changes this new technology is going to cause," says Lee Hoevel, vice-president in charge of technology and development for NCR Corporation, an American Telephone & Telegraph (AT&T) subsidiary. "Just as the computer and the telephone touched everything, so will this."

The convergence of telecommunications and computers has already produced many innovations which are widely used in the business community. Among them are electronic mail, video-conferencing and data access services. Bnt this is only the beginning of the revolution.

AT&T has just announced a new telephone which will allow the user to send full-colour, television-quality pictures down a telephone line, while simultaneously talking on the same line. Silicon Graphics and Time Warner Cable will work together on the world's first interactive digital cable TV network, allowing viewers to select videos and do their shopping on screen.

Intel and Microsoft have established new interface standards to facilitate modem communication and bring it on to the mass market.

In the longer run, the changes will be even more profound. Within 30 years, the average household may be equipped with a single device the size of a television remote control which will handle all computer, fax, voice mail, electronic mail, data connections and home entertainment needs.

What is making this revolution possible is the convergence of a number of new technologies. Fibre-optic cables can handle 100 times the amount of information as the old-fashioned coaxial telephone lines. And digital compression technology allows information to be squeezed into tiny signals, easy for the telephone wires to handle.

Add to this the miniaturisation of consumer products, the move to wireless communication, improving software and increasingly sophisticated microprocessors and the possibilities seem endless. "The technology is moving so fast that microprocessors, for instance, are doubling capacity every 12 to 18 months," says Dsvid Herrah, a spokesman for IBM. "We're definitely on the steep side of the learning curve. In a few years, the computer chip on your televislon remote control may be more powerful than the chip in most personal computers today."

Sophisticated technologies such as video-conferencing and wireless communication, although becoming familiar to business executives, are a mystery to most people. To make the leap on to the mass market, these technologies will have to become more affordable.

"Right now, these products are far too expensive for the average consumer," says Wayne Dyer, vice-president of products management for EO Incorporated, a California-based multimedia group. "But this is the natural path for new technologies to follow. First, they make their way on to executives' desks; then, as the technology becomes cheaper, they move on to the mass consumer market."

The industry may be facing bigger challenges than just affordability. Some executives fear the multimedia technology is outpacing the products' user-friendliness.

"The technology side has definitely been running ahead of the usability side," says Mark Porat, president of General Magic, a newly-formed multimedia group. "Unless this is addressed, the problem will come back to bite companies in the industry."

The "user-friendly" issue is quickly gaining prominence. Microsoft and Intel's decision to standardise modem communications addresses the difficulty many people have in sending electronic mail. And new start-ups such as General Magic and EO are focusing heavily on the problem.

"To be widely accepted, we have to start looking at the human interface," says NCR's Hoevel. "It's far more complicated to run an interactive computer meeting than it is to run a meeting with a room full of employees. Someone has to decide who has control of the mouse, for instance. Unless these things are resolved, it will limit growth for the industry."

Another hurdle multimedia groups will have to overcome is the myriad of telecommunications regulations in many parts of the world. Some warn, however, that too much deregulation will not be good for the industry, either. "If they had made the right decisions on standardising modem communications from the beginning, the market would have moved a lot faster," contends Porat.

Another uncertainty is the way in which companies will organise themselves within the industry. "One thing that's clear is that no single company has the wherewithal to develop all the necessary technologies itself," says Gordon Bridge, president of EasyLink, an AT&T business unit concerned with inter-computer communications.

As a result, multimedia is probably in for a long period of re-organisation. Recent corporate activity has involved acquisitions (such as AT&T's purchase of the computer group NCR), joint ventures and partnerships (such as General Magic, an alliance between Apple Computer, AT&T, Matsushita Electric, Motorola, Philips and Sony), and start-ups (such as EO).

Still, figuring out how the corporate chips will fall may slow down the technological drive of the fledgling industry. "If there's one thing inhibiting the advance of multimedia, it's the problem of deciding how different industries will interact, and who will get which slice of the pie," believes Hoevel.

Although the revolution may not proceed at the pace many in the new multimedis industry would like, in the long-run its success seems inevitable and its impact profound. "This thing is so big, no one can miss it," says Dyer.

The television answers back

Imagine that you could talk to your television set. If yon felt like seeing an old Humphrey Bogart movie, it might suggest the Maltese Falcon or Casablanca; tell it you were in the mood for romance and Love Story would come on the air.

This is the ultimate goal of a oew set of interactive cable systems being introduced around the US. "Eventually, we'll have a voice-activated device on the television that will truly make it a Captain Kirk computer," says David Herrah, a spokesman for IBM.

"Your television will allow you to play a game with someooe you've never seen before, shop for almost anything, and play movies on demand."

The arrival of multimedia may soon turn such dreams into reality.

In an attempt to provide more viewer options, Tele-Communications, a Denver-based cable group, is investing \$1.9bn (£1.2bn) in fibre-optic cable over the next four years. Fibre optic wires can handle 100 times the amount of information dealt with by traditional coaxial cables today.

Digital compression will allow information to be compressed into tiny signals, so that the number of channels available to a Tele-Communications cable customer is set to jump from 54 to 500 over the next few years.

Time Warner is also moving into a new cable television realm, aided hy the regional telephone gronp US West's recent \$2.5bn purchase of a 25 per cent stake in the company's movie studio and cable television assets.

Time Warner will take advantage of digital compression to maximise the humber of options offered. Unlike Tele-Communications, Time Warner will rely on traditional coaxial wires to deliver its cable prodncts.

Instead of investing in fibre-optics, the company is betting its money on a digital movie "library" large enongh to store 500, two-hour motion pictures. This service will move cable television closer to its goal of "video on demand", a service allowing each customer to eccess through a cable menn any number of entertainment sonrces and have the ability to pause, rewind and fast-forward the tape.

Time Warner's new service should also allow customers to play video games with other subscribers, engage in home shopping from a menu of catalogues, use video-conferencing services, connect to a long-distance telephone service and receive edncational instruction at home. "Our system will be the first truly multimedia service," says Michael Luftman, head of corporate communications for Time Warner Cable.

Once an interactive cable system is up and running, the services should quickly become more sophisticated. Video games, for instance, may soon he played in full-motion video and with three-dimensioual graphics.

Home shopping services could widen their scope to include aeroplane tickets and investment plans.

"In the not too distant future, you'll be able to view a hologram of yourself on screen, wearing the clothing item you're interested in purchasing," claims IBM's Herrah.

"And yon may not be surprised to hear the television telling yon that yon'd look better in another colour."

VG

Lasting future for IS

Big companies will continue to maintain a central computer or information systems department although the need for in-house programmers and other specialised information technologists will decline. Facilities management or "outsourcing" is not expected to take over permanently the central IS function.

These are the chief conclusions of a study* published this week which seeks to explain the recent phenomenon that many information technology specialists in large companies, whose jobs only a few years ago looked secure, have found their careers derailed if not on the buffers.

The study concludes there are a number of tasks which only a central IS function can fulfil. These include ensuring that the IT infrastructure of the company is in place and flexible enough to respond to a rapidly changing business environment.

It must ensure company-wide standards are applied and advise senior management on the significance and applicability of new technologies. Most critically, it has to provide the quality assurance for large business systems projects.

Companies are likely to lose in-house expertise, however, as they avoid, for example, bespoke software developments in favour of cheaper, packaged solutions. Furthermore, IS staff who lose their jobs as the recession bites are unlikely to be re-employed when the economy recovers. The study projects that from 520,000 personnel in 1991, numbers will fall to about 400,000 by 2000.

Facilities management or outsourcing has been seen as an answer to expensive and hard-to-manage IS departments, but the study argues it is principally a short-term reaction to a need to cut costs. Some companies use outsourcing as a way of disposing of old technology, intending to refurbish the internal department with modern systems.

**What is the future for the central information systems function? OTR Group London and Brussels.*

Alan Cane

PEOPLE

Emmott's surprise departure from Morrisons

Wm Morrison, the Bradford-based superstore chain, announced yesterday that Bob Emmott, joint deputy managing director, had resigned from the company to "pursue an alternative career".

Martin Ackroyd, finance director, explaine that Emmott's resignation had been accepted after he sent in a letter late on Tuesday. But mystery surrounds his future plans.

Ackroyd says Morrisons has "no idea" what Emmott intended to do naxt, and Emmott himself could not be reached at his home yesterday. There was speculation inside the company that he had left to join another retailer.

Ken Morrison, company chairman, says he regretted the departure of a man he had worked closely with since he joined the company in the late 1960s and who had played an "increasingly important role", culminating in his appointment to the board in 1987, and eventually as joint deputy managing director.

Morrisons, which operates 59 superstores mainly in the north of England and was named the UK's top-performing company last year by the Institute of Directors, insisted there had been no disagreement with Emmott, and relations had remained amicable.

A Curry joins Dixons

The chairman of the All England Lawn Tennis Club, who is also the founder and chairman of USM electronics company ACAL, will join Dixons as a non-executive director with effect from September 7. John Curry succeeds Oxford University's Peter Oppenheimer, who is retiring after six years on the board.

"It sounded an interesting company and one where I thought I could make s contribution," remarks Curry (right), who was headhunted for the position. "Dixons needs to develop in Europe and I know about Europe," he says, adding that he believes his entrepreneurial style will fit the Dixons culture.

Curry, who says that "unfortunately" he has no connection with the family which founded the Currys retail chain, built up, with his brother Peter, Unitech, a manufacturer of power supplies, industrial controls and connectors. In 1987 he himself hranched ont to set up ACAL, a distributor in the same line of business as Unitech, which was floated the following year.

Gaining both a rugby and tennis blue when he was at Oxford, Curry, 55, has been chairman of the All England Club, a part-time position, since 1989.

Non-executive directors

■ Hamish Donaldson, the former Hill Samuel chief executive who quit two years ago after the bank made heavy losses, has been appointed a non-executive director at Gresham Telecomputing, the USM-quoted software and computer broking group. He is also a non-executive director at the Lines Partnership and at London Bridge Finance, e former Hill Samuel subsidiary specialising in credit insurance coverage.

■ George Duncan has resigned from NEWSPAPER PUBLISHING.

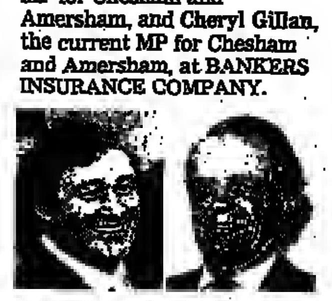
■ David John, a director of Inchcape responsible for marketing worldwide, at BOC GROUP.

■ Michael Tuttle, formerly European regional president of Mars, at THORNTONS.

■ Ann Burdus at NEXT.

■ Konrad Johnsen, chief executive and deputy chairman of Howden Group, Geoffrey Robinson MP (below left), chairman of Transfer Technology Group, and Malcolm Robson, a consultant to Rowan Dartington, at KLEINWORT SMALLER COMPANIES INVESTMENT TRUST: George Duthie and Timothy Edwards have resigned.

■ Lord Gilmour of Craigmillar (below right), a former deputy foreign secretary and former MP for Chesham and Amersham, and Cheryl Gillan, the current MP for Chesham and Amersham, at BANKERS INSURANCE COMPANY.

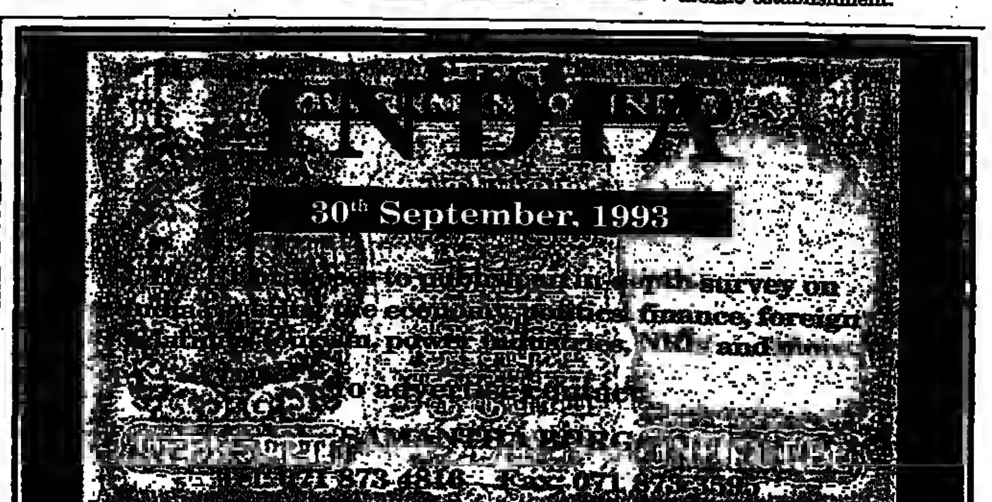


Nuclear role for Heller

Jonathan Heller, previously head of European development at Prudential Investments, part of the UK insurer, has become the secretary-general of the Brussels-based European Atomic Forum, FORATOM, the European nuclear industry's trade body.

Ha combines this with his own consultancy practice, advising life insurance and fund-management companies, actuaries, brokers, accountants and software companies on how to develop their presence in continental Europe.

While acknowledging that this combination of activities is "s little unusual", he points to the precedent of Georges-Yves Kervern, director of strategy at UAP, France's largest insurance company, a one-time leading figure in the French atomic establishment.



ARTS

Cinema / Nigel Andrews

Bohemian bad behaviour

Would you believe a Swedish film-maker called Colin Nutley? Before you reach for your Guinness Book of Cultural Incongruities, let me explain. Mr Nutley was born in England but lives and works in Sweden. *House Of Angels* is his third feature there: he has also made documentaries and, back in his brief British career, a controversial TV series called *Annika*. That tale of Swedish au-pairs, lapped up by the Swedes, became Nutley's calling card in Scandinavia.

House Of Angels is a comedy of social disaster – and a delightful one – somewhere between Ibsen and *Emmerdale Farm*. Nutley is blithely offhand in setting up the plot. A village elder drops dead in an eccentric road accident – involving a rifle, a singing priest and two youngsters coupling in a parked van – and then a mysterious blonde girl appears at the funeral. "I'm sorry I never knew you, grandpa," *she murmurs to the* open grave: whereupon an older lady mourner, the old man's daughter, faints in shock.

The newly-revealed illegitimate granddaughter (Helena Bergstrom) inherits the deceased's farm and the village trembles when her leather-clad boyfriend and fellow cabaret artiste (Rikard Wolff) moves in. *He is followed* by an army of louche friends who parade nude on the riverbank by day, wassail by night and are then indulged by the conscientiously peacemaking vicar when they bid to hold a concert in the church hall. Chainsaws, transvestism, sexy songs . . .

Urban Bohemia meets the pastoral petit bourgeoisie; and the film could have been trampled underfoot by its own programmatic two-party comic politics. Instead – call it the great tradition of bruised British understatement (see Mike Leigh, Les Blair and company)

HOUSE OF ANGELS (15)
Colin Nutley

EQUINOX (15)
Alan Rudolph

BENNY AND JOON (12)
Jeremiah Chechik

SUPERMARIO BROS (PG)
Rocky Morton and Annabel Jankel

– *House Of Angels* gives us laughter as subtle and oblique as reflected light. The reaction shot rules, and Nutley has found the faces to make it tell. Not just born comic victim-figures like the priest, his road to Hell-on-earth paved with good intentions; but the gnarled phizzes of the two old farming brothers whose jaws drop at tales of Berlin decadence, or the girl who runs the village shop and sees her boyfriend drawn to the blonde like metal to a magnet.

The film's satiric bonhomie conjures breezes of comic euphoria from nowhere. In one scene the two codgers clump down a tree-lined avenue in their humble Sunday best – tight-buttoned shirts, ill-matching ties, freshly shined sandals – to meet the new neighbours while a full-throated hymn fills the soundtrack. The absurd presentational pride; the sense of interchangeable best-behaviour protocols (going to tea is a solemn, uplifting social event just like going to church); the pictorial play-off between nature's luxuriance and nurture's regimentation: all are here in a scene as casual as an aside.

Finally, the film yields too much to its own feel-good instincts. Happy endings are distributed too glibly; irreconcilable opposites are forcibly reconciled. But not even this late surge of sentimentality, though it may account for the film's runaway popularity in Sweden, where it has broken box-office records, can smother the sly wit and astringency of what went before.

* * *

Equinox could only come from the pen and lens of writer-director Alan Rudolph. The film-maker defines his film as "a regular movie with all the regular hits taken out." (Compare similar Rudolphs such as *Remember My Name*, *Choose Me* and *Trouble In Mind*). But *Equinox* is a *doppelganger* thriller with all the thrills not so much taken out as teasingly internalised.

Matthew Modine dons alternate hairstyles – hedgehog and flop-mop – as two identical twins who have never met since the womb. Now grown up in Empire City (New York), one Modine is a gangster's assistant, the other a garage hand. Paths are set to cross when their unknown Ma dies, leaving a letter, a mysterious fortune and a vacated movie screen ready to be filled with the largest supporting cast since Noah's Ark.

Check them as they come: the garage Modine's fat, soft-boiled foster-father (M. Emmet Walsh), the gangster Modine's slim, hardboiled boss (Fred Ward), the aspiring lady writer who pilfers Ma's letter and pieces the story together (Tyra Farrell), Modine 1's best friend (Kevin J O'Connor), Modine 2's best friend (Tate Donovan) and the sea of girlfriends/sisters/wives/hookers. Here the style ranges from Lara Flynn Boyle's noirish temptress in the upstairs apartment, part spinster part spiderwoman, to Marisa Tomei's good-hearted, drunk-on-giggles, funny-accented whore.

If Antonioni and Fellini had ever teamed up to adapt Poe's *William Wilson* it might have come out like this. But no, not even then. Rudolph's style has an inimitable absurdist melancholy. This plot's convolutions begin by irritating and end by becoming a monstrous, marvellous *lingua franca* for the confusions of life itself. Which of us has not felt himself living parallel identities in a world divided between violent purpose (gangsters) and homely purposelessness (garage hand)? And which of us has not sometimes echoed Modine's cry of "My whole life seems to be taking place without me in it"?

* * *

Benny And Joon is one of those films that have crashed through the looking-glass into that mythical land called Middle America. You recognise a Hollywood film about medium-poor people in the provinces by the fact that they live in a palace, mildly distressed, somewhere in Small Town, USA. Benny (Aidan Quinn) runs a garage; his sister (Mary Stuart Masterson) paints and is mentally disturbed: and the new boarder (Johnny Depp) in their rambling clapboard mansion idolises and imitates Buster Keaton.

Upshot: holy-eyed innocent falls in love with brush-wielding mad girl and greasy-handed brother is saved the trouble of putting her in a home. The film, of course, never expresses itself so brusquely. Sugary songs caress the soundtrack; Mr Depp bats his large emotive eyes in a one-make-up reprise of *Edward Scissorhands*; and Miss Masterson's mental illness is one of those conditions you only find in a medical dictionary under "H for Hollywood."

Scripted by ex-circus clown Barry Berman and produced by MGM, this project may have seemed to promise a second benediction at the box-office for the studio that brought us *Rain Man*. But it is more like death by slow drizzle: notable only for the few surreal learning experiences we witness through the curtain of schmaltz, like how to make toasted cheese with a steam-iron and how to mash potatoes with a tennis racket.

* * *

In *Super Mario Bros* the age of Nintendo reaches the large screen in a film that should carry a health warning. If you do not get epilepsy from the parent video game, you may acquire it here. Seeking to save the universe from destruction, swashbuckling Brooklyn plumbers Bob Hoskins and John Leguizamo break through into a parallel dimension peopled by ageing Hollywood delinquents (Dennis Hopper as Koopa the Lizard King), ex-RSC actresses slumming it (Fiona Shaw as Mrs Koopa) and frenetic special effects. Pushed from plot-point to plot-point like human cursors, they and we are presented with alligator-headed stormtroopers, sub-Spielberg baby dinosaurs, chases through hi-tech future-worlds and large quantities of are-we-hearing-correctly dialogue. ("Trust the fungus"; "De-evolve him right now"). For anyone but Nintendo addicts the film will be complete Greek: with just a few lifelines to the adventure cinema we once knew and loved in Mr Hopper's snarl, Mr Leguizamo's swashbuckle and a nubile heroine-in-distress (Samantha Mathis) who scampers through the story with the bare covering of a Ph.D. in prehistoric anthropology.

Love in Small Town, USA: Johnny Depp and Mary Stuart Masterton in "Benny and Joon"

A sinuous, sadistic Giovanni

At Covent Garden, in Johannes Schaaf's production, Don Giovanni is a Marquis de Sade figure – grey at the temples, sinuous in movement, permanently bent on exploring the extremes of pleasure, pain (for others) and freedom from the confinements of "nice" behaviour. When not stalking the streets in search of new victims, or hovering in corners relishing the misfortunes of old ones, he goes home to eat dinner off a naked woman's body or refine the appurtenances of his bondage-sex studio. The sky glows red when he sinks to Hell – and, after that, bourgeois proprieties can be restored to Seville.

There are many things to be *said against the whole conception*: they came to mind in growing number during Tuesday's revival of the one-year-old production. But since the show still elicits a riveting performance of the *title role* from Thomas Allen, there are points in its favour as well. Mr Allen is not 21 – the age of Luigi Bassi, the first Giovanni, at the time of the premiere – but a mature artist of astonishing stage potency, with a knack of closing an eyelid, pointing a finger or swivelling a hip-joint to convey menace that is the distillation of expressive economy. His singing, though perhaps a degree less fresh or strong throughout the range than in the past, achieves similar mastery: a flicker of colour or verbal accent speaks volumes.

What he lacks is any kind of charm, wit, or sensual attractiveness. This, surely, is not Mr Allen's fault, but a consequence of production slant, which he supports with absolute steadfastness, suppressing in the process almost all his natural audience-wooing facilities in the presentation of an unredeemed reptilian brute. As in so much of Schaaf's work (at least as Royal Opera audiences have experienced it in his four Mozart stagings), this produces an immediate frisson of dramatic intelligence but a sacrifice of long-term logic and sustaining dramatic architecture.

On a second *viewing, indeed*, I find much in this *Don Giovanni* production that simply will not bear a moment's scrutiny. (Anna so excited by bloodlust after "Or sai chi l'onore" that she kisses Ottavio's sword-hilt? Elvira an Ophelia figure wistfully garlanding daisies while singing "Mi tradì"? Come on now!) The fussy over-detailing and the finding of plausible (but usually banal) formulas in which to "fix" characters' motivation may be one method of containing this untameable and all-but-unplayable masterpiece, but the steady promotion of theatrical momentum is not one of its benefits.

This was underlined by the conducting of Bernard Haitink: the performance started solidly and rather ponderously, and for a good deal of Act 2 seemed to go dangerously limp. Much affectionate detail, much exquisitely shaped phrasing, not much electricity – the high-voltage excitements of Haitink's Glyndebourne *Giovanni* a decade ago were here no more than a distant memory. The stop-start pacing of recitative was one of the evening's minor irritations.

At least, however, the cast is almost entirely first-rate: the revival, whatever problems it may place in the way of people seeking an intelligible "overall" account of this opera, is a feast of good Mozart singing. Ann Murray's first London Elvira, vigorous, passionate and expertly controlled, and Angela Gheorghiu's first London Zerlina, delicate and fragrant of timbre, give particular pleasure; Hans Peter Blochwitz, the production's first Ottavio, sings "Dalla sua pace" with wonderful gentleness and poise.

Karita Mattila, who on Tuesday blurred some of her rising scales, is nevertheless very near achieving an Anna of heroic vocal stature. Bruno Caproni's Masetto is an asset in every scene. Of the original cast-members Claudio Desderi's Leporello shows greatest gain in authority: the voice may still sound a shade small for the house, but the pungent Italian utterance and thrusting characterisation are alone worth the ticket-price.

Royal Opera House: in repertory until July 23.

Max Loppert

Thomas Allen as Don Giovanni: a riveting performance

Truly grandiose theme

The Paris Opéra Ballet marked the tenth anniversary of Balanchine's death in May. Now the company has continued its tribute – for Balanchine was ballet-master at the Palais Garnier in 1947 – with the acquisition of *Theme and Variations*. This grandiose display piece suits the Opéra dancers wonderfully well. The troupe's elegance of manner, its gleaming prowess, reflect both the stage light and the inner radiance of Balanchine's inventions, making the ballet glitter. Most important, the Opéra can field principal dancers to rejoice in the demands Balanchine sets them.

I count myself fortunate to have seen Alicia Alonso and Igor Youskevich, for whom *Theme* was made. There have been other notable interpreters. None, though, have seemed so impeccably, nobly right in the roles as Elisabeth Platel and Manuel Legris, who led Tuesday night's performance. Both are in the high summer of their gifts. Platel is unmatched in the West in those qualities of serene authority, technical purity, that are the emblems of the true classic ballerina. She has the polished virtuosity and the integrity to serve the choreography rather than her own temperament. Balanchine intended this ballet to evoke the golden age of Imperial Petersburg's ballerinas, and in Platel's dancing we see how she accepts every demand like a jewel which she wears with loveliest assurance. The role was a homage by Balanchine to the ballerina as divinity. Platel reveals its splendours with unfailing grace.

From Manuel Legris dancing no less satisfying. His technique is beautifully rounded – the bravura passages without strain, the dance full and rich in tone – but it is the aristocracy of his manner that reminds us that here, too, is a tribute to those princely figures who strode through Balanchine's youthful years. Legris is rightly their heir. From the rest of the cast, lustrous dancing, and fine playing of the Tchaikovsky suite from the Opéra's orchestra under Jonathan Darlington.

The programme is completed by two Jerome Robbins ballets. *Moves* is that experiment in dance without music which Robbins made for his own *Ballets: USA* in 1959. I am not sure how well it wears its years, for it looks somehow portentous, and dated in its physical attitudes. It was given dedicated, rather solemn performance; the real reward came with the presence of Emmanuel Thibault, the Opéra's wunderkind. In *Moves* he offers a passage of beaten steps with the speed of a humming-bird's wings. Robbins' *The Concert* ends the evening on a note of happiest comedy. The cast is good and the jokes still fresh, still funny.

On Monday the Opéra Ballet presented new choreographies by members of the troupe. No one expects genius, but ideas can be explored, and talent will be seen. So will miss-hits, and theorisings that were better in the creator's head than on the dancers' feet. Of the five pieces, two struck me as worth the time and energy given to their staging. Florence Lambert's *Demoiselles d'Avignon* owes little to Picasso, but a lot to the way women see men watching women. It was an ingenious deconstruction of masculine attitudes to women and women's response to them – satiric, angry, dismissive. It was set to part of the Goldberg variations, improbably played on piano and accordion and improbably worth listening to, and it gained vastly from performances by Aurelie Dupont, Agnes Letestu, Nathalie Ziegler and Beatrice Martel.

Pierre Darde's *Carnival of the Animals* offers four dancers – Clairemarie Osta, Beatrice Martel, Nicolas le Riche and Darde himself – who impersonate the menagerie in dances that are off-beat, and often pertinent about beasts. They are also funny – but Darde's ideas have something more than jokiness to them, and he uses the great stage well. The piece was admirably danced, with Nicolas le Riche showing again that he is one of the brightest hopes in the tremendous ranks of the Opéra's young dancers.

Clement Crisp

A scene from Theme and Variations

INTERNATIONAL ARTS GUIDE

BATIGNANO

Adam Pollock's intimate, outdoor opera festival, Musica Nel Chiostro, opens on July 22 with the first of three performances of Le Disgrazie d'Amore by Antonio Cesti (1667), followed in early August by six performances of Bernstein's Candide. Ends Aug 15 (0564-38096)

BREGENZ

The opera festival on the Austrian corner of Lake Constance continues to consolidate its connection with front-rank British producers. *Jonathan Miller*'s new staging of Fedora opens this Constance year's festival on July 20, with Mara Zampieri in the title role. David Pountney produces Nabucco on the floating stage. Ends Aug 22 (05574-4920 224)

DROTTNINGHOLM

Elisabeth Söderström, much-loved Swedish soprano, has taken over as artistic director of the world's *most important 18th century theatre* still in action.

This year's operas include Una cosa rara by Mozart's Spanish contemporary Vicente Martin Y Soler, conducted by Nicholas McGegan (*first night on Sat, runs* till Aug 8), and Grétry's beautiful Zémire et Azore staged by John Cox (July 14, 16, 20, 22). Ends Sep 4 (08-660 8225)

KUHMO

To this tiny Finnish town below the Arctic Circle and just west of the Russian border, distinguished and newly-acclaimed European and *American* ensembles and soloists come to provide up to five concerts daily, besides giving master classes.

What makes the festival continually exciting is that so much of it consists of fine performers who have just had a few days to rehearse together. Chances are taken, spur-of-the-moment insights flash. The atmosphere, amid all the lakes and pines, is blessedly informal.

This year (July 16-Aug 1) several leading British musicians figure, and there are song recitals, Japanese concerts, the Maly Ballet and some chamber opera (086-520936)

LUCERNE

This year's festival, opening on Aug 14, focuses on anniversary celebrations of Tchaikovsky and Rakhmaninov, with Alfred Schnittke as the festival's first-ever composer in residence.

Visitors from Russia include the Bolshoy Opera Orchestra and Chorus, the St Petersburg Capella Choir and Russian National Orchestra with MikhailPletnev. There will be a Rakhmaninov piano marathon with Barry Douglas and others, the world premiere of a new work by Edison Denisov and a Schnittke ballet programme.

Visiting orchestras include the Berlin, Vienna and Oslo Philharmonics, with artists ranging from Yuri Bashmet to Abbado, Barenboim, Järviand Sawallisch. Ends Sep 8 (041-235272)

MACERATA

Renato Bruson sings the title role in Rigoletto, which opens the festival on July 15. This year's other operas are Lucia di Lammermoor staged by Josef Svoboda and starring Valeria Esposito, and Le nozze di *Figaro conducted* by Gustav Kuhn. Ends Aug 11 (0733-230735)

OSLO

Norwegian violinist Arve Tellefsen, founder-director of the Oslo Chamber Music Festival (Aug 6-14), has drawn together friends and colleagues for an attractive anniversary tribute to Grieg, his contemporaries and compatriots.

Artists appearing at the festival include Swedish baritone Hakan Hagegard, Jan Garbarek Jazz Quartet, Nordic Youth Orchestra, *Norwegian cellist Truls Morkand* pianist Tedd Joselson.

Three festival concerts take place in Bergen, for which a special train has been chartered to take the audience through the scenery which was Grieg's inspiration (2255 2553)

PESARO

The Rossini opera festival opens on Aug 9 with the first of four performances of Armida, staged by Luca Ronconi and conducted by Daniele Gatti, with a castled by Anna Caterina Antonacci, Ramon Vargas and Jeffrey Francis.

This year's other production is a revival of the Pizzi staging of Maometto II starring Cecilia Gasdia. Raina Kabaivanska sings arias by Gluck, Rossini and Cherubini in an orchestral concert on Aug 18. Ends Aug 22 (0721-33184)

SALZBURG

Gerard Mortier's second festival, opening on July 23, will be less of an explosion than last year, but the programme is still bursting with good ideas. Deborah Warner stages Shakespeare's Coriolanus alongside a revival of Peter Stein's 1992 production of Julius Caesar.

This year's new opera productions *are Così fan tutte (with Cecilia* Bartoli and Jennifer Larmore), Lucio Silla (with Ann Murray and Luba Orgonasova) and Monteverdi's Poppea (with Sylvia McNair and Philip Langridge). Revivals include Salome (Bondy/Dohnanyi, with Catherine Malfitano and Bryn Terfel) and Falstaff (Ronconi/Solti, with José van Dam). There are concert performances of Dallapiccola's *Ulisse and Nono's Prometeo.*

Despite the increase of contemporary music at the festival, Salzburg's Jluxury element continues with a parade of top-class orchestras, conductors and soloists, including the Berlin Philharmonic with Abbado, the Oslo Philharmonic with Jansons and the Vienna Philharmonic under Maazel, Ozawa and Levine. Riccardo Muti's only appearances this year will be to conduct two Jessye Norman concerts on Aug 2 and 3. Ends Aug 31 (0662-844501)

SAVONLINNA

No-one who visits Finland's premier summer festival can fail to be impressed by the stone castle courtyard in which it takes place. Poised on the edge of a lake, Olaf's Castle (Olavinlinna) is one of the world's outstanding outdoor locations for opera.

This year's opening production is Macbeth, conducted by Leif Segerstam and staged by Ralf Langbacka, with festival director Jorma Hynninen in the title role (next performances tomorrow and next Wed). Fidelio (first night tonight) and Die Zauberflöte (final performance next Mon) are both *August Everding productions.*

Lithuanian Opera and Ballet theatre brings Nabucco (first night July 21) and Lucia di Lammermoor (July 22). (057-514700)

SPOLETO

The annual arts binge in this Umbrian town is now in full swing. This year's operas are *Puccini's* Trittico, staged by the festival's ageless supremo Gian Carlo Menotti in the Teatro Nuovo, and The Rake's Progress at Teatro Caio Melisso.

This week's dance programme is headed by Ballet of the Deutsche Oper, Berlin, with Peter Schaufuss. Steve Berkoff directs Oscar Wilde's Salome, and there is an Italian-language production of Tannessee Williams' A Streetcar Named Desire. Plus numerous midday and piazza concerts. Ends July 14 (Tickets 0743-40265 Information 0743-44097)

TANGLEWOOD

For more than 50 years, the Boston Symphony Orchestra's summer home has provided a relaxed setting for concerts in the heart of the Massachusetts countryside. Garrick Ohlsson gives an all-Chopin piano recital tonight, and joins members of the Boston Symphony for an early evening chamber music concert tomorrow.

Later tomorrow evening, Seiji Ozawa conducts this year's opening concert, with soprano Kathleen Battle. On Saturday, Neeme Järvi conducts a Russian programme. ON sunday, Roger Norrington conducts Orchestra of St Luke's in works by *Maw, Bruch and* Brahms, with violin soloist Joshua Bell. Ends Aug 31 (Ticketmaster Boston 617-931 2000 New York City 212-3077171)

VADSTENA

Vadstena's annual opera festival, set in the historic buildings of this charming medieval town, 250 km south-west of *Stockholm, continues* its exploration of forgotten works with Stradella's Il Trespolo tutore (1679) and Paer's *I molinari* (1794). The festival runs until Aug 11 (Information 0143-12229)

ARTS GUIDE

Monday: Performing arts guide city by city.
Tuesday: Performing arts guide city by city.
Wednesday: Festivals *Guide.*
Thursday: Festivals Guide.
Friday: Exhibitions Guide.

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Sunday Super Channel: West of Moscow 1830
Super Channel: Financial Times Reports 1900
Sky News: West of Moscow 0230; 0530
Sky News: Financial Times Reports 1330; 2030

The Community's leap of faith

BOOK REVIEW

Brussela is a very religious town – *less for* the church-going zeal of its multinetional populace than for the deep faith of those building European political integration. How other than by faith could the latter face the tedious hours dedicated to such arcana as veterinary regulations or the specifications of pressure vessels in industry? The alternative would be serious doubt about the purpose of life.

Cecil Parkinson, now e lord but then a British trade minister, once explained the stress of the non-believer after a discussion in Brussels on an obscure trade issue. "I came into politics enthused by high ideals of freedom, public service and the greater good," he said. "I cannot believe I have just spent three hours arguing about tiny import tonnages of Yugoslav baby beef."

The frustrations of e Eurocret are not dissimilar. But they are lessened by the certainty that building Europe is a crab-like political process. In good times, usually periods of solid economic growth, great leaps can be made towards integration. But the intervening periods comprise daily wars of attrition against states' exercise of their flagging sovereignty.

As these imperetives weaken, the ritual battles in Brussela are usually settled through a perpetual and often untidy compromise. Supranational bindings are continuously tightening and, before the century is out, efficiency and democracy will demand e new institutional framework.

David Buchan's four years in Brussels as the FT's European Community correspondent, to 1992, were characterised more by leaps forward than crab-like movements. He saw the impressive assembly of the single market and the negotiations on monetary and political union which were crowned by the Maastricht treaty. In this book he has largely dedicated his sceptical eye and skilful pen to the EC's expanding international role, for which Maastricht promises much but may deliver far less.

EUROPE. THE STRANGE SUPERPOWER
By David Buchan
Dartmouth, £32.50 hb, £17.50 pb, 182 pages

As Buchan reveals, the 12 could not find the political will to invent the institutional mechanisms for a common foreign and security policy. Maastricht commits them to "joint ections" in some areas of foreign policy. This means, says Buchan, that they will "deliberately fashion e straitjacket and then put themselves in it". But a member state is free to refuse the straitjacket if it does not eccept e line of action agreed by all. Moreover, it can block joint action altogether because, in principle, the joint action must be approved unanimously.

While some majority voting is allowed on matters of implementation, a common foreign and security policy is to be decided essentially by intergovernmental, rather than community, procedures.

Buchan captures Jacques Delors' tone of contempt for these formulae. "First wa would have to decide, unanimously, whether the meeting was to be in Warsaw, Budapest or Prague. Then we would have to agree whether we were going by plane. Lunch? We would need an opt-out for vegetarians. No doubt we could use majority voting to decide where the smoking and non-smoking sections should be."

Alongside this uncommon approach to making foreign policy, courtesy of Maastricht, is e promise of the development of a European "defence identity". It is to come via a reinvigorated Western European Union, whose tasks, Buchan points out, remain to be invented. He suggests one possible area for its operations might be eastern Europe "to intervene to quell some ethnic dispute between, say, Czechs and Slovaks or Hungarians and Romanians, that threatened to send refugees flooding into the EC".

In view of its handling of the Yugoslav crisis – well reviewed by Buchan, who deems it "a tragic failure" – the EC will need to discover more common purpose. Moreover, the Germans need to *resolve* their constitutional impediments to military ection – before the WEU can be e credible instrument. External pressures are pushing Europe in that direction.

A sense that moves towards greater integration are, in part, a dynamic response to external political and economic pressures is strangely missing from Buchan's analysis. His is much more a book on what Europe is doing than why Europe is doing it. Here Buchan shares e weakness of the Brussels perspective, which tends to assume wider public understanding of EC purposes and procedures than actually exists. Such presumption has been exposed by the less than ecstatic reaction to Maastricht.

Buchan accepts the conventional wisdom that this response is the result of politicians pushing integration too fast for their electorates. But perhaps the political failure is of a different order.

Maastricht's proposed economic and monetary union is a supranational leap which has had to be mediated through national political systems. Few leaders have found the courage to justify it as an appropriate response to the nation state's diminishing power to deel alone with global economic challenges.

The value of this book is that it pulls together a great deal of information about the EC's relations with the world and presents it in a readable form. It is hard to disagree with Buchan's conclnsion that Europe will become both wider through enlargement and deeper through a form of political federation. The latter may be unwelcome to many Britons. Yet the F-word could well promise the full expression of all that is best of national values in Europe – humanism, tolerance, democracy – while steadily undermining the worst – such as ethnic rivalry, territorial aggrandisement and the struggle for power.

As of now Europe is, indeed, a strange superpower. But it will become a more normal one. The pressure of world events will make it so.

John Wyles

ECONOMIC VIEWPOINT

An agenda for a real summit

By Samuel Brittan

By proposing a special summit to *discuss* unemployment, President Bill Clinton at the time more or less wrote off the prospects of the Tokyo summit.

Politicians in the Clinton interventionist tradition see job creation in terms of spending projects which create work, oblivious that almost any kind of spending will do just this if it is not absorbed by higher pay and prices. What they really have in mind is an enhancement of the role of the state – an outlook incorrectly called "liberal" in the US.

What, however, could a genuine economic directorate of the Group of Seven achieve? First, the work would be at the level of finance ministers and central bankers. Maintaining the directorate at that level would enable Germany to play a fuller part than it can et summit gatherings where the *Bundesbank* is absent. Above all, heads of government lack both the time and knowledge for the work. The Gatt breakthrough was a separate affair, owing little to summitry.

Moreover, because a problem *is worldwide, it does not mean* that it is best tackled in international meetings. As the Nobel Prize-winning UK economist, James Meade, has never ceased to emphasise, the restoration of high employment requires a steady *rise* of total cash spending (conveniently measured by Nominal Gross Domestic Product), and severe pay restraint (combined, I would stress, with flexibility) so that increased money expenditure leads to increased output and jobs, rather than just higher prices.

Meade has always said that the second objective is the harder; a new booklet gives his latest ideas for achieving it in an equitable way (Fifteen Propositions, Employment Policy Institute, Southbank House, Black Prince Road, London, SE1 7SJ, price £6.50).

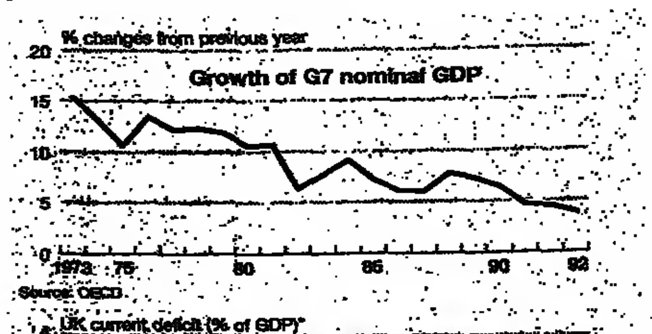
But because the first objective is less difficult, there is no reason to neglect it. Indeed, while labour market reforms are best carried out at the national, EC or local level, the regulation of total spending (or demand management as it used to be called) is easier if the world's main industrial leaders move in harmony. Moreover, almost for the first time since the second world war, inadequate growth of total cash spending is an important contribution to unemployment.

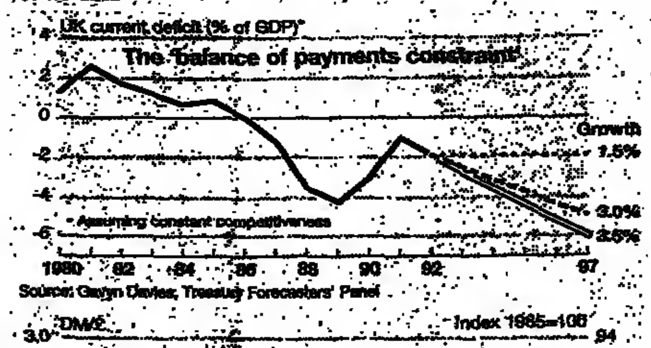
A rate of measured price increase of 2 per cent to 3 per cent per annum is now probably the best working definition of minimum inflation. The underlying trend of real growth in G7 countries is, say, 2-3 per cent. Adding together the volume and price components, e satisfactory rate of growth for Nominel GDP would then be about 5-6 per cent a year – perhaps slightly more to catch up for shortfall.

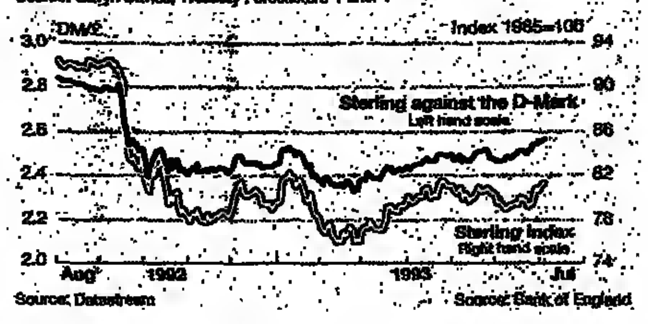
Now look what has happened. On OECD estimates, G7 Nominal GDP growth has dropped to 3½ per cent in the past 12 months. It is clear thet the leading industrial countries have been suffering, not *quite from deflation*, but from demand deficiency in the Keynesian sense.

The OECD forecasts a return to 5½ per cent nominal GDP growth by 1994. But few would like to rely on forecasts alone – and even they depend on assumptions about appropriate policies. The dangers, just for once, are of inadequete demand growth rather than of inflationary excess.

Where should the largest *stimulus be applied? Surely, to* those countries whose demand growth has been exceptionally slow or where an exchange rate depreciation would be in order. The countries where demand has been growing most slowly are Japan and Germany and those EC countries whose currencies are tied in to the D-Mark.







In Japan, a guarantee of further stimulus to domestic demand would be the best way to defuse the conflict with the US over the Japanese trade surplus. If Japanese domestic activity could be raised to normal levels, expenditure on imports would automatically rise. A big surplus would probably remain, reflecting an underlying rate of savings above domestic investment.

But once Japanese activity returns to normal the rest of the world will have little reason to complain. Nor could the US continue to moan if Japanese expansion is accompanied by a fall in the yen against the dollar, so long as there is e net rise in Japanese purchases from the rest of the world.

With respect to Germany, the logjam suddenly seems to have eased. The recent budget measures agreed by German political leaders are larger than realised. Spending cuts for next year, together with new tax revenue and higher pension contributions, are equivalent to 2 per cent of GDP, according to Kleinwort Benson – much more than the ill-fated Solidarity Pact. These measures are dne to be followed by further fiscal tightening equivalent to 1¼ per cent *of GDP in 1995.*

There will have to be many further interest rate cuts in Germany, simply to make up for the contractionary arithmetical effects of the package. In psychological terms, however, these cuts are e boost; and there has been a different tone to Bundesbank statements in the past few days.

Better money supply numbers and belated union talk of pay *flexibility* have also brought joy to the Bundesbank. The effect of the whole package of fiscal economies and prospective interest rate cuts is likely to be positive for German 'animal spirits', but not necessarily for the D-Mark, which remains subject to downward influence.

The Americans will just have to put up with some further downward drift of the D-Mark against the dollar if it occurs. Indeed, one advantage of a world economic directorate is that it might hope gradually to wean the Americans away from the belief that the dollar can never be low enough. The Bundesbank, too, will just hava to grin and bear the possibility of some D-Mark depreciation, while industrialists in neighbouring DM-bloc countries will be delighted.

Postscript on UK

The downside risk on the D-Mark, and sterling's new position as Europe's strongest currency, will create complications for British policy. Sterling has already regained nearly half of its fall against the D-Mark since departing from the ERM and one-third of the ground lost on the index.

Nevertheless, sterling could easily go higher. The dilemma of the winter of 1987-88 on whether to cut interest rates to restrain the pound looks, like all dilemmas, likely to recur, although against a much less inflationary background. It would indeed be ebsurd to endanger the still-fragile rebirth of confidence in the UK economy by heavy upward over-shooting of sterling.

Like the majority of the chancellor's forecasting panel, I would unhesitatingly reduce interest rates if required to put a brake on sterling's rise. It is only in this context that there is a case for further fiscal tightening.

But unlike at least two members of the forecasting panel, I believe it would be equally foolish to plan another devaluation from recent levels of sterling. The devaluationists' case is illustrated in the final chart, which shows e worsening payments deficit constraining real economic growth to a crawl. The result would be resumed upward movement of unemployment for years to come.

Both the balance of payments projections and their implications for policy are highly disputable. Even if the UK does have to continue to turn the terms of trade against *itself (which is all a successful* devaluation can echieve) then it would be best done by maintaining a British rate of inflation below that of the main trading partners. That is no longer e pipe-dream.

The case for either a large upward or downward movement of sterling is extremely weak; but it will no longer he possible to keep the issue under the carpet much longer.

LETTERS TO THE EDITOR

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Economic ideas need scientific testing

From Prof David Currie.

Sir, As Tim Congdon (Letters, July 2) knows, my colleagues, Andrew Burrell and *Stephen Hall, have just* undertaken the first systematic analysis of all the UK forecasts published regularly in Economic Forecasts, the monthly survey from North Holland. They presented this yesterday at the Macromodelling Conference at Warwick University. They compare the forecasting *records of e wide range of fore*casters, academic and commercial, allowing for differences in information evailable at the time of the forecast.

They find that differences between individual predictions are typically small in comparison with forecasting mistakes. Moreover, forecasting late in the year on the basis of the fourth-quarter gross domestic product estimates helps in producing e good forecast of next year's growth. Some forecasting groups, such as London Business School, have not produced a regular year-end forecast (a reason why we cannot *rise to Tim Congdon's chal*lenge on end-year forecasting records). They therefore do less well in comparisons, such as Chris Huhne's Golden Guru award, which make no adjustment for differing information sets at the time of forecast. To win at the Guru game, the motto must be "forecast often and late".

Allowing for this, one is led to the conclusion of our recent Economic Outlook, and reported by Peter Marsh (June 28), that claims made for Tim Congdon's forecasting record have been exaggerated; it may or may not be marginally better than that of others, but the differences are dominated by the forecast errors.

Tim Congdon also claims that his forecasting record rests on certain basic ideas in economic theory. He mentions a specific one – the need for equilibration between money demand and money supply – *that is not in dispute, incorpo*rated as it is in all well-specified macroeconomic models, including London Business School's. This is one of the reasons why his March Open Letter so entirely missed the point.

His specific policy advice, that underfunding can materially affect the growth of broad money and the economy without a change in interest rates, is one that is inconsistent with modern monetary economics, particularly in a world of high international capital mobility. More generally, his analysis takes little account of recent developments in the theory of *money and banking. Tim Cong*don makes little refarence to the very considerable body of empirical research devoted to testing the propositions that be advances and which are generally found wanting; hence our comments on the unreliability of broad money.

It is important that economic ideas are subjected to careful empirical testing: this is the basis of the scientific method that allows the slow advance of knowledge. Tim Congdon has played a useful role in restating some simple propositions in macroeconomics; unfortunately they seem not to withstand scientific testing, perhaps because they are over-simple. Any edge that he may have in forecasting is based on intuition and prowess, not on theoretical insight or scientific method.

David Currie,
director,
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London NW1 4SA

Propaganda for the IRA

From Mr Ronald Willson.

Sir, Your editorial "Ring of Anxiety" (July 6) concerning the City of London's anti-terrorist traffic restrictions was pathetically eddled. Was it written by *committee?*

Disruption was negligible, you said, yet you conclude that this is e propaganda coup for the IRA.

Vital though it is to defeat terrorism, you said, you are critical because *the rest of the* capital is not thus protected. The ultimate absurdity of your thinking is that "once made permanent, it would be difficult to dismantle". Yes, quite.

The propaganda coup for the IRA is the bombing and the killing and the disruption of the NatWest tower hanging in shreds. Measures against these ects, providing they do not impinge on traditional civil liberties, are not a propaganda coup for the IRA. Driving to work in the City is not a civil liberty.

The sooner the City of Lon*don plants trees and flowers* in the barriers to make them permanent and pedestrianises the area, the better. Now that would be a propaganda coup.

Ronald Willson,
50 rue de Moillebeau,
1207 Geneva, Switzerland

ITV burdened with public service anachronism

From Mr Daniel Sandelson.

Sir, The National Heritage Committee's ill-informed knee-jerking over the News at Ten issne and the unnecessarily strong language in which the committee's report was couched only serve to underlina the fundamental contradictions at the heart of the Broadcasting Act 1990 ("MPs condemn ITV over News At Ten proposals", July 3).

What the committee failed to recognise is that ITV is going through an *inevitable but pain*ful transition – from a system with e considerable public service element to one of more or less unfettered commercialism (which are not, by the way, dirty words). The pain of this transition has been foisted on ITV by the Act, which cobbled together a system of competitive tendering which was supposed to value bids by the mechanism of the free market. In stark contrast, however, it burdened the ITV companies with very un-marketlike public service obligations in programming and scheduling.

*Forcing ITV to set its sched*ules in stone forever in the name of "public service" will weigh ITV down with obligations which *can only hinder it* in competing in the domestic and international broadcasting market. In 20 years' time this will be seen as an anachronism in a world that has changed faster than the legislators realise. The true home of public service is the BBC.

The legislatora should not forget that, by no coincidence, the country with the world-beating media industry has the First Amendment.

Daniel Sandelson,
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Expenses charged to managed funds unclear

From Mr Paul Moulton.

Sir, The daily Managed Funds Service in the Financial Times contains four full pages of fund data. Ninety-three of the offshore-based fund management groups which are listed are recognised by the Securities and Investments Board. Most of these funds are marketed actively to UK retail *and institutional investors.*

Investors might assume that the Securities and Investments Board applies the same strict control over the annual charges suffered by these funds as they do for their *onshore counterparts*. In reality, only the investment advisory fee must be disclosed by the management company in promotional literature. Administration, custodian and other expenses are detailed only in the published financial statements.

It appears, in fact, that neither the SIB nor the local regulators enforce e limit on the *total* level of expenses which can be charged to the fund. My own research reveals that, while the highest disclosed annual fee is 2 per cent, the total annual charge is frequently above 5 per cent and can even reach double figures in the worst cases. Investors in these funds cannot be aware of the extent of these charges or of the resulting effects on their fund returns.

Of course, the total annual charge for many funds is more *reasonable*, but comparetive figures are only now being made available.

There is e clear case for full disclosure by management groups marketing retail offshore funds in the UK and for more effective *monitoring* by the regulators.

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FINANCIAL TIMES
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Thursday July 8 1993

Full speed ahead on Gatt

THE TOKYO summit is already different from its three immediate predecessors. In 1990, 1991 and again in 1992, leaders of the Group of Seven main industrial countries promised to make every effort to complete the Uruguay round of multilateral trade negotiations, but then made themselves ridiculous by failing to deliver what they had promised. This time, their principal trade negotiators were told to reach agreement beforehand. While the summit now has rather little useful left to do, it has already proved its worth merely as a catalyst.

Final agreement on the Uruguay round has not yet been reached. But it is increasingly difficult to believe that negotiators will not reach that goal. Not only have they achieved much already, but they have also grown accustomed to reaching agreement even on sensitive issues, while none of them wishes to bear the blame for failure. They are, in short, condemned to succeed.

But what sort of success might it be? From the draft final act of the multilateral trade negotiations (the so-called Dunkel draft) of December 1991, the November 1992 "Blair House agreement" on agriculture between the EC and the US and the outlines of the market access agreement in manufactures revealed yesterday, the answer is rather a good one.

At the heart of the agreement between Canada, the European Community, Japan and the US are: elimination of tariffs (known as "zero-for-zero") in eight sectors, including pharmaceuticals, construction equipment, steel and spirits; cuts of up to 50 per cent in tariffs covering products whose current tariffs are above 15 per cent; and reductions averaging at least a third in tariffs on other products, including scientific equipment, paper and electronics.

Vexed question

Even this agreement needs to be cemented by further negotiation. One vexed question is what offers will be forthcoming from participants in the Uruguay round, other than the big four. The latter, particularly the US, might even insist that every participant in the round adopt zero tariffs wherever they intend to do so. Such a demand could be a round-breaker. Yet another contentious demand would be for general liberalisation of textiles and clothing. Equally important would be reaching a "multilateral steel agreement", a necessary condition for elimination of tariffs on steel.

Negotiations for liberalisation of trade in services are far from complete. Similarly, final agreement has not yet been reached in agriculture, with French anxieties unassuaged and both Japan and South Korea continuing to insist they will not liberalise their imports of rice.

Tighter control

Some, notably the French government, also argue that US unilateral actions against allegedly subsidised imports should be brought under tighter control. US imports of steel are the immediate casus belli. Although US unilateralism is indeed a concern, this is not a relevant example of the problem. The US has an unquestionable right to take such action under the Gatt. It is absurd for the French, who support similar EC actions against alleged cases of dumping, to pretend otherwise.

What remains to be achieved is indeed contentious. But what has been completed already is just as contentious and more important. Economists might question the wisdom of proposals that are likely to widen the dispersion of tariff rates. What matters rather more is that negotiators have accepted the principle of tariff elimination, which can readily be extended in future. The fact that a deal has been reached matters even more. Some argued that no agreement would be better than a "bad agreement", by which was meant less complete a package than some participants desired. This was a weak argument, but the agreement now within reach is a good one by any standard.

For the sake both of the world economy and of peaceful international relations, participants must now put every effort into climbing the last few hundred metres. Reaching the end of the Uruguay round negotiations would not solve the world's economic problems. But it would help. It would also demonstrate the ability of world leaders to address those problems co-operatively. Failure must now be regarded as not merely unforgiveable, but unthinkable.

Time to get tough on steel

THE EUROPEAN Commission's decision yesterday to crack down on state aid to the Italian steel industry is a welcome sign that Mr Karel Van Miert, the competition commissioner, can take as robust an approach to market distortions as his predecessor, Sir Leon Brittan. The Italian government yesterday appeared to be softening its position, but it has still not come into line.

The confrontation has been caused by Italy's unwillingness to accept that a plan by IRI, the state-owned holding company, to write off Ecu4bn in aid to Ilva, its wholly-owned subsidiary, amounts to state aid. Italy's position is based upon the argument that IRI ceased to be a government agency last year and that the plan is being driven by commercial considerations.

This argument is specious. Merely converting IRI from a government agency to a state-owned company does not put it beyond the reach of political considerations. It is inconceivable that a rational private owner would write off Ilva's debts without also demanding cut to stem losses of Ecu84m a month.

One consequence of Italy's resistance is that a Europe-wide scheme to turn the steel industry from a bloated sector of the economy into a globally competitive one could unravel. A meeting of the Council of Ministers scheduled for the end of this month which was to hammer out such a plan has had to be postponed.

If Italy refuses to play by the rules, it may well be impossible for the Commission to insist that Spain and the Treuhand, east Germany's privatisation agency, cut hand-outs to their stricken companies. The fall-out could be a subsidies war in which more efficient private-sector steel-makers are driven out of the market.

Potential damage

But the potential damage does not stop with the steel industry. If the Commission fails to rein in steel subsidies, there will be nothing to stop governments handing out aid to companies in other sectors. That would endanger the single market, as Mr Van Miert said in a speech earlier this week. The idea of the single market programme was to encourage dynamism and efficiency by bringing down barriers to trade. But if governments are allowed to skew this process by giving unfair advantages to inefficient domestic competitors at the expense of efficient foreign rivals, the legitimacy of the programme will suffer.

Closing steel plants will, of course, never be popular. Plants are typically located in communities where unemployment is already high, while steel's prominence in a dwindling manufacturing sector gives it a hold on public affections, with the result that the industry has tremendous lobbying clout.

Enfeebled industry

But delaying the restructuring of the European industry will in the end do nobody any favours. The industry has already been enfeebled through dependence on subsidies, estimated to have totalled DM121bn between 1975 and 1990.

Such aid not only wastes taxpayers' money, but keeps steelworkers in jobs which are not sustainable in the long run. Instead help should focus on creating durable jobs for redundant steelmakers, an approach which has met with some success in the UK.

By this standard, the Commission's plan is far from ideal. In response to political pressure, it has made clear it will allow aid to the Italian, Spanish and German state-owned companies in return for capacity cuts. It has also imposed anti-dumping duties on cheap imports from eastern Europe. As a result, competition within the Community will be distorted and eastern European countries will face an unwelcome barrier to their attempts to develop their economies.

But the Commission plan is clearly preferable to untrammelled subsidies and full-blooded protectionism. Yesterday it backed up its plan with the threat of sanctions if the Italians do not come into line. These could include cutting off Community aid to Italy to finance steel redundancies or, in the extreme, erecting barriers against the export of Italian steel to other Community countries. It is to be hoped that none of this will be necessary. But if Italy refuses to toe the line, sanctions will be in order.

Oil on Algeria's troubled waters

There is little hope for peaceful change as the government sets a timetable for elections, says Mark Nicholson

What Algeria's press ruefully calls the country's "multi-dimensional crisis" has claimed another 11 lives this week.

The three soldiers among the dead bring to 78 the number of Algerian security personnel slain by Islamic extremists in the past seven months. Diplomats put the death toll of the violence which has ravaged Algeria since the annulment of its first multi-party elections in late 1991 at 1,000. Algiers, the capital, has been under a night-time curfew for months.

But political violence is only the starkest symptom of Algeria's ills. Since the military-backed government deprived the Islamic Salvation Front (FIS) of victory in the second round of the 1991 poll, Algeria has been pitched into a combination of political convulsion and economic straits unequalled in its 30 years of independence from France.

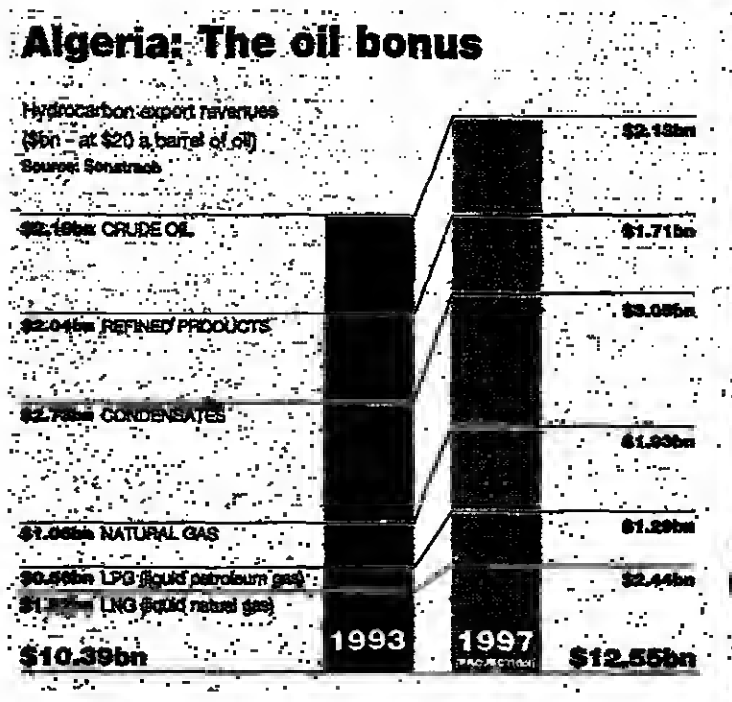
"Everything is in the air at once," says Mr Omar Belouchet, editor of El-Watan newspaper and survivor a few weeks ago of an assassination attempt. "The future of Algeria is being decided, debated, now, passionately and violently at every level. We are deciding on a project for our society."

This "project" took its violent turn straight after cancellation of the elections, an act pressed on the government by the army, which then set up a five-man presidency known as the High State Council to govern the country. The FIS was outlawed, although its anti-government rhetoric, populist appeal to the poor, and promise to install an Islamic state won it 3m votes and an unassailable majority in the 430-seat assembly in the 1991 poll. Its leaders were detained, or they fled, and a battle started between armed extremists and the police, punctuated by assassinations of eminent scholars and writers.

Last month, however, the state council took what it claims is the first step towards restoring Algeria's political balance and, eventually, to bringing in democracy. It has laid out a draft transition plan – to be discussed by the main political parties, including two permitted Islamic groups, and the main, republican leftist parties – allowing for presidential elections no sooner than 1996, but no later than 1997.

By ruling out elections until 1996, diplomats, politicians and academics believe, the state council is giving itself time to achieve its two greatest priorities: to restore security, and to revive Algeria's economy. The government's political project will depend essentially on achieving these goals.

One senior diplomat puts it more strongly: "The government is certainly trying to bolster its own legitimacy by seeking consensus, but finally the regime's top priority, raison d'être even, is to smash Islamic fundamentalism."



Few in Algeria underestimate how bloody a fight this will be. Although residents of some "hot" FIS areas in Algiers say attacks on security forces have dropped since 15,000 troops were brought in to the capital recently, there is plenty of evidence that extremists are able to carry out well-planned ambushes with groups of 10-20 heavily armed men.

But the logic of the government's strategy is that it can seriously damage support for the Islamic extremists if it tackles the social and economic deprivation from which the FIS appears to draw its nourishment. Its hopes for the economy rest on optimism over the country's unexploited resources in hydrocarbons – oil and gas – and success in mastering its foreign debt.

Algeria leans heavily on its oil, gas and other hydrocarbon exports, which bring in more than 95 per cent of the country's hard currency earnings – about $11bn last year. But a crippling 71 per cent of export earnings are devoured servicing Algeria's $27bn external debt, leaving the country's industries starved of money to buy spares and raw materials. The government blames this hard currency shortage, above all, for unemployment of more than 20 per cent and the fact that state enterprises – which make up about 80 per cent of Algeria's industry – are running at an average 60 per cent of capacity.

But the government calculates it will be over the crest of its present debt servicing mountain within three years, and western economists agree that by 1996 Algeria's payments of interest and principal should fall to 50 per cent of hard currency earnings.

As important as the fall in its debt servicing is the potential rise in its export earnings. Since Algeria abandoned its determination to develop its hydrocarbon wealth without foreign involvement in the late 1980s, it has signed more than 30 exploration and production sharing deals with foreign oil companies. The arrival of companies such as BP, Repsol, Arco and more than 20 others is expected to lead to fresh discoveries, and to improve the exploitation of oil and gas already found. The government estimates that total investment in the industry will reach $19.3bn by 1997.

Natural gas sales were already expected to double to 60bn cu m by 2000 through announced plans to double its present pipeline capacity to Italy and for the construction of a fresh link to Spain.

"Algeria's gas is very strategically placed for the south European market, which is growing fast," says Mr David Drury, BP's general manager in Algiers. Figures from Sonatrach, the state oil group, suggest the value of hydrocarbon sales should rise to about $13bn by 1997, assuming oil at $20 a barrel.

Some western economists believe that earnings of this order, combined with a reduced debt burden, could leave Algeria with an extra $5bn a year to spend on the domestic economy. It is this bonus on which the government is counting. "The government thinks that as revenues grow it can afford more openness politically, but while 70 per cent of their resources are paying off debt they have no room for political manoeuvre," says one western ambassador.

But it may be dangerous to bet on an essentially economic solution to the country's political problems. First, the government is assuming that the boost to export earnings will easily translate into job creation. Many economists seriously doubt this will happen, given the government's continued commitment to a largely state-run economy. "So far the government's policy is essentially to pour money into inefficient public sector enterprises," says a western economist. "And there's no chance in hell that will work. These enterprises are not economic concerns, they're employment agencies."

The government also appears to be hoping to weather the period up to 1996-97 without any further political fissures blowing open. Many question this, too. Among politicians, there are already clear signs that the government's hoped-for "national consensus" may be illusory.

"It will be impossible to reach consensus while there are two completely opposing political beliefs in the country – Islam and republicanism," says Mr Mustapha Bacha, national secretary of the RCD Republican party. "Even the so-called democratic parties are absolutely divided," says newspaper editor Mr Belouchet. "They have absolutely nothing in common."

Furthermore, at street level, where the FIS appeared to draw much of its support in 1991 from among Algeria's tens of thousands of young unemployed, the next three years before the arrival of the country's expected oil and gas bounty promise only more austerity. Some diplomats are concerned that this, the tough police clampdown and the curfew could produce a dangerously volatile mix.

Islamic activists argue, meanwhile, that nothing the government does in the next two years can diminish the appeal of the fundamentalists in any circumstances. "FIS may no longer be a political party, but it's become a popular phenomenon," says an Islamist lawyer close to the now banned party. "You can't dissolve a popular phenomenon by judicial decree or by offering it money."

The country's natural wealth means there is some hope for the economy. But by leaving its political role to an ill-defined attempt to rally "consensus" – one that prohibits the group that nearly won the last elections – many believe the government is taking the same risk it took in 1991, when it miscalculated the people's political aspirations so badly. The cost of such a miscalculation would be further and continuing bloodshed.

Give shareholders more power over pay

PERSONAL VIEW

While wage increases are decided by companies individually in the UK, a collective, inflationary, consequence can arise. In the past managers and employees have been expected to provide the solutions to the problem. However, the externality of wage inflation would best be internalised by turning to institutional shareholders and investors to provide a remedy. This might be achieved by their providing a more direct influence on the aggregate level of wage increases.

Unusually, at the moment the aggregate effect of wage decision-making generates little concern. The rate of average earnings increases is at its lowest level since the early 1960s, while wage settlements across the private sector are at record low levels. Despite this encouraging situation, the need for a solution to Britain's pay problem is perhaps more timely than at any stage since the return to free collective bargaining in 1979.

Before the recovery gathers pace and improving company profitability causes employees to pursue their wage demands with increased vigour, the perennial British problem of wage growth outstripping productivity needs to be addressed. To imagine, on the strength of recent statistics, that the issue that has bedevilled economic management in postwar years has disappeared could prove over complacent. While the change in the labour market in recent years, through legislation, decentralisation and union decline, has been considerable, the unco-ordinated pattern of pay determination needs to be reinforced with a mechanism to ameliorate Britain's structural pay problem.

Many advocate a system designed to establish a consensus on affordable pay increases nationally. Professor Metcalf (Personal View, June 2) suggests involving the views of the Seven Wise Men who advise the Treasury, buttressed by a forum of the largest 50 private sector companies to establish a co-ordinated view on earnings growth.

Though the importance of the issue is not in question, a system which is not governed by the interests of individual companies may prove ineffective. Since managements cannot easily be induced to behave in a manner that appears contrary to their immediate interests, the adverse externality of wage inflation can arise. Therefore, an economy-wide dispersion in wage settlements, around a lower nominal average increase, would be best achieved via a mechanism applied through corporate shareholders rather than managements.

The perennial British problem of wage growth outstripping productivity needs to be addressed

To see the problem in a shareholder/management context offers a potential solution. Collective co-ordination of wage growth through corporate shareholders could exert an effective discipline on the corporate sector as a whole. By providing appropriate pressure at this level, any benefits of a collective approach might be better appreciated, while the institutional investors would also be best placed to regulate such a mechanism through the application of pressure on their shareholdings. Although such a proposal may seem beyond the current ambit of shareholders in Britain, it should be seen as a logical extension of their existing mandate.

This control mechanism could be put into effect by extending the remit of the Institutional Shareholders' Committee, in its direction on strategy and performance. It could include a responsibility to advise on an economically feasible average wage increase across the corporate sector as a whole. Subject to this "external" constraint, individual management teams could continue to use pay as a managerial tool within their organisations. Company managements would therefore remain free to act as they see fit under prevailing circumstances while the institutional shareholders ensure the well-being of the corporate sector as a whole. In such a mechanism neither shareholders nor managers are required to act in any way other than the pursuit of their individual interests.

Ownership in the corporate sector has become progressively more concentrated over recent years: more than 50 per cent of shares in British quoted companies are effectively controlled by a small cluster of institutional investors. So, where individual companies pursue outcomes that are collectively disadvantageous, it should be at this higher level of corporate control that a remedy should be sought.

If a need should arise for exhortation on pay or co-ordination of wage awards, it should emerge from Britain's institutional investors. This would provide the attraction of economically consistent pay settlements combined with the scope for flexibility while enabling the private sector to control itself.

Peter Ingram

The author is lecturer in economics, University of Surrey

OBSERVER

For the high jump

■ After the empire, manufacturing and moral values, is the British officer class now also on the decline? That at any rate is the perception of Major General Rob McAfee, in charge of army training.

He went before the Commons defence committee yesterday to bemoan the "deficiencies in instinctive leadership qualities" observed in the recent crop of cadets at Sandhurst military academy. Would-be officers up in front of the army's Regular Commissions Board, which vets all applicants, tended to be "less well-prepared" to take on leadership roles than in the past.

Sir Nicholas Bonsor, the committee's Tory chairman, blames the schools for placing too much emphasis on academic qualifications and not enough on sport. But his colleague, Winston Churchill, will perhaps remember his grandfather's remark: "Based on many years' observation, officers with high athletic qualifications are not usually successful in the higher ranks."

Vein hopes

■ With Premier Major's re-election chances still far from assured, Britain's voters should perhaps be glad they don't live in Swaziland. Every poll there is apparently preceded by an upsurge in ritual killings.

"There is a strong belief among Swazis that human blood is good medicine and can bring power to people," says police inspector Azaria Ndzimandze who has just warned local politicians against being too cut-throat in competing for parliamentary seats.

Paragon unmasked

■ The mystery is solved. The high-level clearing bank executive who works from dawn on Monday until 8pm on Friday, and gives 110 per cent of his time to the business, has been formally identified.

Observer's interest had been aroused when the fax brought an anonymous excerpt from a bank's in-house magazine. It talked of a high-octane executive not only on the way to the office before other commuters got up, but then working so hard that he rarely saw his ballet-dancer wife – let alone his Georgian rectory, swimming pool, gymnasium, and dance studio.

Could there really be a clearing banker like that?

The answer is yes...and no. The paragon turns out to be David Beynon, new boss of Midland Bank Personal Financial Services. But he's not a pukka clearing banker.

His main background is life-insurance selling, including 17 years with BAT's pushy Allied Dunbar until he undertook to turn

Midland's infant bancassurance business into the market leader. But if it doesn't work out, his previous experience would seem to have given him a rare range of options.

He has also been, among other things, a drama teacher, Flamenco guitarist and dustman.

Outsiders

■ While the more fuddy-duddy clearing bankers might frown on Beynon's brass-necked ambition, it is a fact of life that, were it not for outsiders like him, there would be even fewer success stories in British banking.

Take Peter Wood, chief executive of Direct Line, the UK's fastest growing general insurance company. He is a computer boffin who spent 11 years in Alexander Howden's back office before joining the Royal Bank of Scotland in 1984. It's no wonder that RBS rewards him so handsomely. He has created a hugely successful business out of nothing.

David Jones, chief executive of Sharelink, the soon-to-be floated telephone share-dealing service, is trying to do the same. It wasn't until he broke free from BT in the mid-1980s that his entrepreneurial flair was noticed. In a stockbroking industry where losses are more normal than profits, Jones has created a fast-growing business with operating margins of 40 per cent. Its long-term viability still needs testing in a bear market, but his success to date is impressive.

Table talk

■ Don't despair. When Norman Willis retires as general secretary of the Trades Union Congress, his line in homely parables and never-ending metaphors will continue. His successor is already warming up in the wings.

Bill Morris, TGWU general secretary, rejecting a possible compromise by the Labour leadership over unions' involvement in internal party democracy, said yesterday: "It's like if somebody wants to knock your greenhouse down and they threaten to knock your house down and then, in discussion, you get back to the point where they say 'oh well, I won't knock the house down, I'll just knock the greenhouse down'.

"That's not much of a compromise, is it?"

Fading star

■ Harrods, they say, is timeless. So it was apt that the star role at the opening of its summer sale should be played by the ageing Burt Reynolds.

True, a few screams split the air from middle-aged fans among the bargain-hunters, some of whom had camped out all night on the pavement. But they may have been less enthused by the manner of the man, with his grey hairs and leathery suntan, than by the manner of his arrival.

In the best of Hollywood traditions, he rolled up in an olive green horse-drawn carriage preceded by pipers.

By then, Observer was too far away to hear what they were playing. If the theme of the event was Harrods' history, however, it was perhaps The Bonny Earl o' Murray, whose first words go something like:

"Ye Highlands and ye Rowlands, O where hae ye been?"

FINANCIAL TIMES
Thursday July 8 1993

Government moves to sustain optimism as exports begin slow recovery

Finland cuts interest rate to 6.5%

By Hugh Carnegy in Helsinki

FINLAND yesterday cut its base rate from 7 to 6.5 per cent in an effort to lift the economy out of deep recession and to sustain the country's emerging optimism for recovery.

The rate cut applies to many domestic mortgages and loans dating back several years when these rates were set officially. Most market rates in Helsinki are now about 7 per cent compared with 17 per cent late last year. Finnish interest rates in general are among the lowest in Europe.

Falling interest rates have lifted optimism over the Finnish economy which has contracted by 10 per cent since 1990. A 2 per cent rise in gross domestic product is forecast in 1994, largely on the basis of rising exports.

Exports are expected to rise by more than 12 per cent this year and almost as much in 1994, fuelled by a sharp devaluation of the markka late last year and falling real wages at home. These two factors have combined to make Finnish companies more competitive internationally.

Finland, together with Sweden, has carefully avoided repegging its currency to the Ecu, because devaluation has boosted competitiveness of the wood and paper industries, both dominant factors in the economy.

"We think we are close to the bottom," said a finance ministry official, but there is a grim realisation in Helsinki that the recovery is likely to be fragile and painfully slow.

Any upturn in the economy has to offset a catalogue of difficulties stemming from the loss of trade with the Soviet Union, a slump in world markets for Finland's forestry products and the collapse of a borrowing-led domestic bubble at the start of the decade.

The finance ministry has already revised downwards its original forecast of 3.5 per cent growth next year. Above all, persistently rising unemployment, at present standing at around 18 per cent of the workforce, is not expected to peak until 1994.

Forecasts which officials admit are optimistic see the jobless rate still above 12 per cent in 1997.

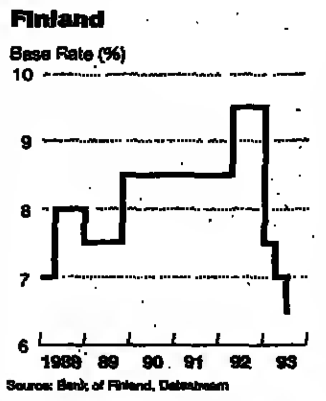
Export growth may wipe out the current account deficit next year, halting the rise in foreign debt which is now approaching 50 per cent of GDP. But a rise in exports has so far produced little impact on employment as Finnish manufacturers are heavily capital intensive.

The paralysed domestic economy has also yet to respond to falling interest rates. The trend has been for companies and individuals to concentrate on repaying borrowings.

Latest official forecasts see overall consumption falling by 4 per cent this year and a further 3.5 per cent in 1994, while investment is set to decline by more than 11 per cent this year, the fourth successive year of decline.

The government is unable to provide fiscal stimulus. The cost of unemployment benefit, debt servicing and bailing out the banking system, coupled with falling revenues, has taken the budget deficit to nearly 10 per cent of GDP.

Finland
Base Rate (%)



Source: Bank of Finland, Datastream

Milosevic heaps scorn on the west

By Laura Silber in Belgrade

MRS Danielle Mitterrand, the French president's wife, this week became the latest international figure to founder on the rock of Serbian intransigence.

She returned to Paris yesterday after failing to persuade President Slobodan Milosevic to free Mr Vuk Draskovic, the opposition leader badly beaten by police during demonstrations in Belgrade last month.

But snubbing the west and its envoys is a skill which Mr Milosevic exercises with increasing relish.

With Greater Serbia within his reach, a triumphant Mr Milosevic appears convinced that the time has come to erase any remnants of opposition to his rule.

The west's refusal to take action against Serbian forces in Bosnia was a signal to Mr Milosevic that there would be no international resistance if he snuffed out the remaining Serbian opposition and independent media.

Flexing his muscles, Mr Milosevic has refused to release Mr Draskovic, jailed since June 1. He has ignored international appeals on behalf of Mr Draskovic, including personal letters from Mr John Major, UK prime minister, and President François Mitterrand.

The imprisonment and subsequent beating of the opposition leader and his wife Danica are an act of personal vengeance by the Serbian president, who is unwilling to tolerate any challenge to his hold over Serbia.

Last month, he cemented his grip on the remains of Yugoslavia, now composed of Serbia and its tiny ally Montenegro, when he replaced the federal president, Mr Dobrica Cosic, with a faithful party apparatchik. Mr Milosevic now has unlimited power in Serbia. His cronies have been installed at the head of state institutions and enterprises.

Belgrade journalists fear Mr Milosevic will soon carry out a purge of the media which opposed his grip on power. The editor-in-chief of Borba, the independent Belgrade daily, is likely to be ousted this week.

Mr Milosevic reportedly has a police force of 80,000 available to crush any protest and to sow the seeds of fear before possible social unrest as the Serbian economy collapses under the weight of war and 14 months of UN sanctions.

There is no doubt that sanctions are taking their toll, but they have had no effect so far on moderating Serbia's hardline stance towards the UN and other international organisations.

Serbia over the past month has ordered the Conference on Security and Co-operation in Europe to close its Belgrade offices, which monitored human and minority rights. The government also declared as "unwelcome" the UN special envoy on human rights and war crimes, a move which will undermine efforts to gather evidence for use in any future war crimes tribunal.

But for all his present power the Serbian president knows he is in a race against time. This winter most inhabitants of Belgrade could face severe heating and food shortages. Then, even 80,000 police could have trouble containing their anger.

Nigerian parties may agree to form national government

By Paul Adams in Lagos

NIGERIA'S Social Democratic party has agreed in principle to form an interim national government to replace the military regime on August 27, provided it can choose key members of the government and that elected local, state and legislative institutions remain intact.

The National Republican Convention, the SDP's rival party, is joining it in talks with President Ibrahim Babangida in an attempt to reach terms agreeable to both parties and the military government. The NRC would prefer the option of new elections before August 27.

Both parties were established by the government, the NRC representing the traditionally powerful north and the SDP the economically important south-west.

The government on Tuesday issued an ultimatum to the parties to either join a national government and accept the dissolution of all democratic institutions or face fresh elections before August 27.

Statements from both parties and the government leave the transition as uncertain as ever.

The SDP has rejected the option of fresh elections before the military is meant to band over because it insists its presidential candidate, Mr Moshood Abiola, was a fair winner in last month's elections.

The government has annulled those polls and banned Mr Abiola from standing in fresh elections. SDP officials say that the inclusion of Mr Abiola as head of the interim government is a condition of their acceptance.

Protests in Lagos lasting three days have demonstrated popular rejection in the south-west of Nigeria, the main base of Mr Abiola's support, of fresh elections before August.

The two parties met in Abuja yesterday and agreed on the need to maintain elected civilian institutions and to end military rule in August, but the NRC accuses SDP of intransigence in ruling out elections under the existing regime.

Mr Uche Chukwumerije, the information minister, denied reports that troops had shot protesters in Lagos. The main casualties on Tuesday were the result of a road accident in which a taxi driver ran over some youths blockading the road and was lynched by a crowd.

EC steel industry chaos

Continued from Page 1

amura, Ilva's managing director, attacked a similar approach – already being considered by Spain – as a surrender to unjustifiable interference in Italy's internal affairs. Events since have made it much more difficult to brazen out such a stance.

Rome had argued strongly that Iri, the biggest state holding company which owns Ilva, was now an independent entity ruled by market forces and poised to sell off assets. But delays in the privatisation programme have eroded that argument.

The original restructuring plan for Ilva was prepared by Mr Nakamura and Mr Michele Tedeschi, Iri's then managing director. Mr Tedeschi has since been moved to the telecommunications sector, and Mr Romano Prodi, Iri's new chairman, has been keen to put his own stamp on the project.

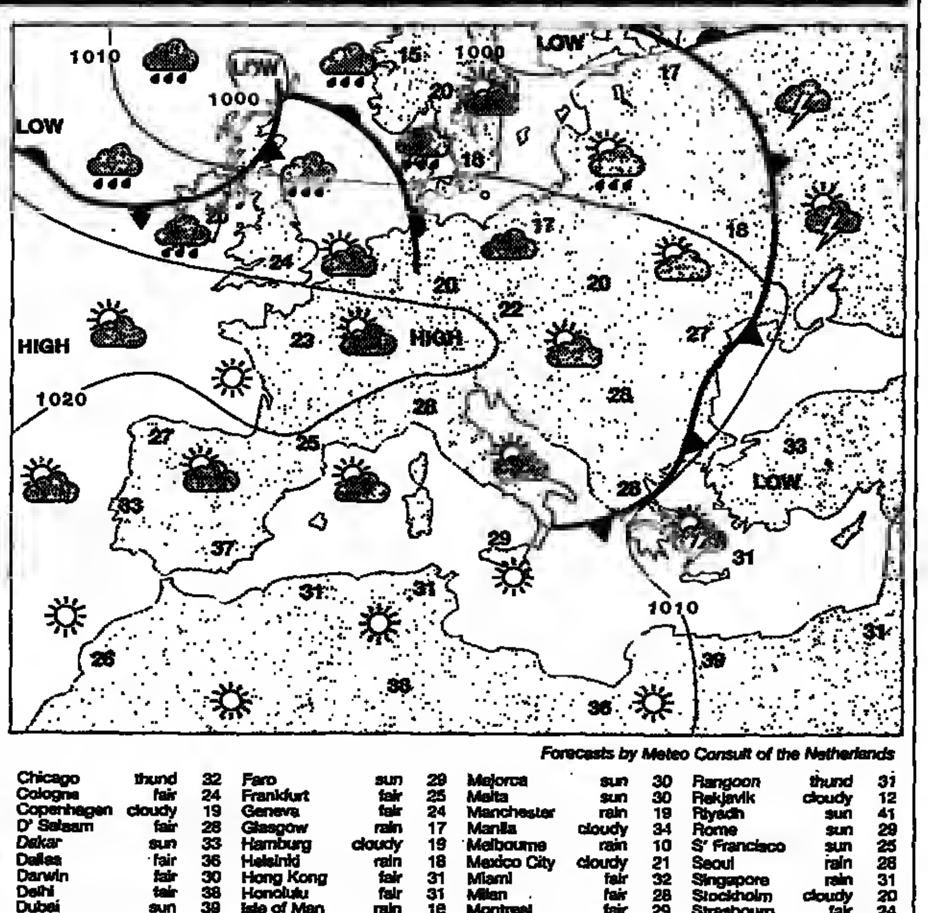
FT WORLD WEATHER

Europe today

A depression north of Scotland will bring rain to most of the British Isles and along the west coast of Norway. Southern England, will have sunny spells. A depression over eastern Scandinavia will bring rain to Finland, the northwest Commonwealth of Independent States and the Baltic States. High pressure over France and the Alps will push temperatures up to 25C. In Spain, Portugal and Italy, there will be abundant sunshine and in southern Spain the temperature will reach 37C. Over the east Balkans and Greece, a frontal zone will cause a local thunder shower.

Five-day forecast

The low north of Scotland will move toward Norway. Behind it, cooler and unsettled conditions will spread across the British Isles and the north-west part of the continent. It will be mainly cloudy with showers and strong winds at times. Scandinavia will be rather cloudy with patchy rain. Southern Europe will remain rather sunny with tropical temperatures. Depressions developing over central and eastern Europe will cause thunder showers from Sunday into early next week.



TODAY'S TEMPERATURES

Forecasts by Meteo Consult of the Netherlands

		Maximum Celsius
Abu Dhabi	sun	39
Accra	thund	29
Algiers	sun	31
Amsterdam	fair	22
Athens	thund	31
Bangkok	shower	35
Barcelona	sun	27
Beijing	rain	30
Belfast	rain	17
Belgrade	fair	25
Berlin	cloudy	21
Bermuda	shower	29
Birmingham	cloudy	22
Bogota	shower	18
Bombay	shower	31
Bordeaux	sun	26
Brussels	fair	24
Budapest	fair	23
Buenos Aires	cloudy	16
Cairo	sun	39
Cape Town	cloudy	18
Caracas	fair	28
Chicago	thund	32
Cologne	fair	24
Copenhagen	cloudy	19
D' Salaam	fair	28
Dakar	sun	33
Dallas	fair	36
Darwin	fair	30
Delhi	fair	38
Dubai	sun	39
Dublin	rain	20
Dubrovnik	sun	29
Edinburgh	rain	18
Faro	sun	29
Frankfurt	fair	25
Geneva	fair	24
Glasgow	rain	17
Hamburg	cloudy	19
Helsinki	rain	18
Hong Kong	fair	31
Honolulu	fair	31
Isle of Man	rain	16
Istanbul	thund	27
Jersey	fair	20
Karachi	cloudy	35
Kuwait	sun	44
La Paz	fair	18
Las Palmas	sun	25
Lisbon	fair	30
London	fair	24
Los Angeles	sun	27
Luxembourg	fair	23
Lyon	sun	24
Madeira	fair	24
Madrid	fair	35
Majorca	sun	30
Malta	sun	30
Manchester	rain	19
Manila	cloudy	34
Melbourne	rain	10
Mexico City	cloudy	21
Miami	fair	32
Milan	fair	28
Montreal	fair	29
Moscow	shower	18
Munich	fair	23
Nairobi	fair	24
Naples	sun	30
Nassau	fair	32
New York	fair	35
Nice	sun	27
Nicosia	sun	36
Oslo	fair	22
Paris	fair	22
Perth	fair	19
Prague	fair	20
R' de Janeiro	fair	17
Rangoon	thund	31
Reykjavik	cloudy	12
Riyadh	sun	41
Rome	sun	29
S' Francisco	sun	25
Seoul	rain	28
Singapore	rain	31
Stockholm	cloudy	20
Strasbourg	fair	24
Sydney	cloudy	15
Tel Aviv	sun	35
Tokyo	rain	24
Toronto	shower	29
Tunis	sun	30
Vancouver	fair	22
Venice	fair	27
Vienna	fair	22
Warsaw	cloudy	18
Washington	thund	35
Wellington	sun	12
Winnipeg	shower	25
Zurich	fair	23

THE LEX COLUMN

Dixons' short circuit

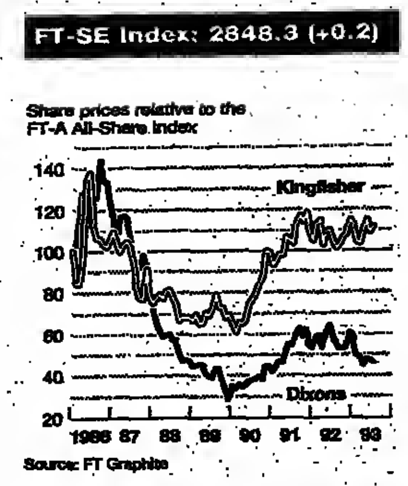
If last yaar's disappointmants at Dixons were suitably varied, this year's crop is depressingly predictable. Silo – the out-of-town US electrical retailer which has proved a dark and dangerous hole in the ground – has swallowed up yet more of the UK businesses' hard earned profits. When Dixons bought Silo in 1987 it claimed that it would not repeat mistakes of other UK retailers venturing into the US. Others had bought companies with weak competitive positions or poor managements, and to boot had run the operations from London. As it turned out, Silo had both a weak market position and poor management, and the lack of control from London until too late has proved a serious blunder.

Dixons is having one last throw at revamping Silo, but the trial in three stores has the feel of a token effort. Indeed, the ground is being cleared for closure since the UK and overseas operations have been hived into separate subsidiaries. That will protect Dixons' ability to pay dividends when the Silo write-off strikes.

The cash cost of closure will be lower than the monumental paper losses, although it will still cut shareholders funds to an unacceptably low level – all the more so since so much of Dixons' capital is in the form of preference shares. As European property development could still subside, a rights issue looks unavoidable if Dixons' directors wish to sleep at night. It is all such a pity since the main UK business is doing well despite pressure on margins from intensifying competition. Dixons must be left hoping that Circuit City does not decide to hand out the same treatment to electrical retailers in Britain.

FT-SE Index: 2848.3 (+0.2)

Share prices relative to the FT-A All-Share index



Source: FT Graphite

UK food retailers

To the puzzlement of investors, two leading grocers have just articulated seemingly contradictory views of the industry's future. According to Mr Archie Norman, chief executive of Asda, it does not work. Looming saturation and growing price competition will undermine profitability. Sainsbury, though, begs to differ. According to Mr David Sainsbury, product of generations of grocery genes, profits will continue to rise. Discount stores have not significantly hit sales. Saturation is a distant prospect. There remain 150 grocery outlets for every one Sainsbury store in the UK.

Perversely, both interpretations may be right. The difference is over time scale. The question is not whether the rate of profits growth will be eroded but how quickly. In the 1980s, efficiency gains from information technology, centralised distribution and fancy ont-of-town superstores enabled grocers to ratchet up gross margins every year. But this process is running its course while falling inflation imposes whole new disciplines. The big grocers will maintain earnings momentum for a while but even Sainsbury is not expecting further gross margin growth.

The food retailing sector will therefore remain a strategic sell – unless cunning diversification plans materialise. But there is scope for tactical buying. Even bearish forecasts suggest that a slowing Sainsbury should lift profits by one third to £1bn by 1996. With the sector having sunk to an all time low, it may soon be due a bounce.

Small companies

It is difficult to judge whether the smaller companies bandwagon is still gathering momentum or about to reach terminal velocity. Since the FT-SE Small Cap index has risen by 20 per cent this year – while the FT-SE 100 has stood still – small company shares might be due for a period of consolidation. On most measures, though, the Small Cap is far from overvalued. A yield and price-earnings ratio not far from the market average is if anything modest for this stage of the cycle. If economic recovery is this time led by capital goods industries, the Small Cap stands to benefit from its weighting towards this sector.

The worry is that expectations of dividend and earnings growth are ahead of what smaller companies can deliver. That is of concern in the upper reaches of the market too, but small companies in particular will find cash flow squeezed during the early stages of recovery. Dividend growth may be held back as a result. If profits are growing strongly investors will be happy enough. But the onus is now on companies to live up to their promise of sharply higher earnings this year.

Lower interest rates will certainly help. Small Cap stocks are generally more highly geared than larger companies. Their cost of borrowing is also linked almost exclusively to short-term interest rates rather than long-term bond yields. If that makes small companies especially sensitive to changes in base rates, though, the best of the gains have already been seen.

Daimler-Benz

The decision by Daimler-Benz to seek a listing in New York implies a radical change in its attitude to investors. So it is natural for Deutsche Bank's 28 per cent stake in the company to come increasingly under the spotlight. There is a strong argument that such a blocking stake is incompatible with the more open approach implied by the New York move. But that does not mean that Deutsche Bank will rush to sell. However strong the forces of change, it cannot easily relinquish such an important symbol of its economic power.

There are practical reasons, too, for waiting. Now is the hottom of the cycle. Deutsche might get a better price by holding on. That would also give it time to overcome the tax problems associated with divestiture. For its part Daimler has to cope with the uncertainty of the dissolution – in connection with its New York listing – of Mercedes Holding, which holds 25 per cent of its shares. The move could leave some Daimler stock overhanging the market.

Yet these are only arguments for delay. At some stage the fundamental questions will have to be addressed. To German eyes Deutsche's alliance with Daimler brings long-term stability of management and purpose. Perhaps it also reinforces that sense of a corporation as having a broader social purpose – to benefit the community and its workers as well as just shareholders. But corporate Germany cannot cling to that and still solicit foreign equity. International investors want returns, not to subsidise someone else's social effort.

FINANCIAL TIMES
COMPANIES & MARKETS
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INSIDE

BASF to cut staff amid falling sales

BASF, the German chemicals group, is to cut up to 15 per cent of staff in its German pharmaceuticals divisions. A group director forecast a decline in domestic sales for the full year and even heavier falls in profits. Page 20

Molson issues profit warning

Molson, the Canadian brewing group, has warned that beer profits this year will suffer from slow economic recovery in North America. Page 22

Wang to shake off bankruptcy

Wang Laboratories, the office computer company, expects to emerge from Chapter 11 bankruptcy protection by the end of September. Page 22

Chinese brewer oversubscribed

Tsingtao Brewery, the first of nine mainland Chinese state-controlled companies to be listed on the Hong Kong Stock Exchange, said its HK$889m (US$114.9m) public offer had been subscribed 110.5 times. Page 23

Sidlaw moves overseas

Sidlaw, the Scottish oil services group, has paid £79m ($118.5m) for Courtaulds Flexible Packaging, which has 11 operations in four countries. The purchase – partly funded by a £53m rights issue – is Sidlaw's first large move overseas and will more than double its annual turnover. Page 26

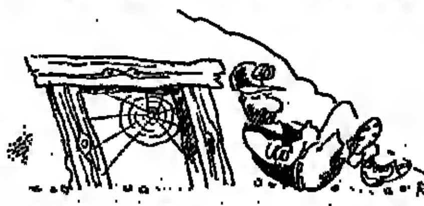
Bank of Ireland in rights issue

Bank of Ireland has announced an I£100m ($142m) rights issue to allow it to strengthen its equity base and repurchase $125m of US preference stock which it said was becoming expensive to fund. Page 25

Taunton Cider doubles profits

Taunton Cider's pre-tax profits more than doubled to £17.6m ($26.4m) in the 52 weeks to May 1 after strong growth in the UK cider market. Page 27

Mongolian gold cannot glister



Mongolia's Mineral Processing Technological Centre owns a commercially viable gold mine, but because of the country's gold acquisition policy, there is no incentive to develop it. Page 28

Newcomers out in front

Emerging stock markets put in a strong showing in 1992, according to data released this week by the *International Finance Corporation. Emerging markets* took eight of the top 10 places in a list of all the world's equity markets. Back Page

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Asko Prf	515	+	13
BMW (Br)	521	+	11.7
Daimler Benz	617.6	+	13.1
Metallg'llschaft	349.4	+	11.4
Thyssen	193.4	+	8.9
Falls			
Badenwerk	383	-	6

NEW YORK ($)

Rises			
Advanced Micro	23¾	+	⅛
Hewlett-Packard	76⅝	+	⅞
Falls			
AMR	59⅝	-	1¼
Microsoft	82⅛	-	3¼
Motorola	82¼	-	⅞
Newmont Mining	56⅝	-	1⅝

New York prices at 12:30.

PARIS (FFr)

Rises			
Club Med	359.1	+	11.9
Docks de France	524	+	12
Fonc Lyonnaise	640	+	27
Peugeot	594	+	14
Skis Rossignol	1294	+	34
Falls			
Taittinger	1610	-	90

TOKYO (Yen)

Rises			
Akebono Brake	599	+	29
Godo Shusei	695	+	25
Miyaji Iron Wks	779	+	29
Falls			
Daicel Chemical	563	-	18
Kikkoman	976	-	54
Tsugami	501	-	18

LONDON (Pence)

Rises			
Bespak	518	+	56
Celsis Int	107	+	8
Hadleigh Inds	80	+	5
Molynx	30½	+	6½
Monarch Res	184	+	13
Morris Ashby	156	+	14
Phonelink	241	+	14
Ramco O&G	127	+	8
Rubicon	168	+	23
Sims Food	112	+	7
Sirdar	95	+	5
VSEL	830	+	20
Wellcome	678	+	30

Falls			
AAF Inds	125	-	88
Bk of Ireland	241	-	9
Coletax Fowler	46	-	4
Dixons	195	-	15
Hepworth	354	-	14
Herring Baker	66	-	7
Koda Int	174	-	10
MFI Furniture	125	-	8½
Sidlaw	328	-	17
Taylor Woodrow	93	-	4
Willis Corroon	217	-	7

Renault and Volvo to merge in weeks

By Alice Rawsthorn in Paris

THE MERGER of Renault, the French state-controlled motor group, and Volvo, its Swedish partner, should be completed by the end of this month, according to Mr Gérard Longuet, the French industry minister.

Mr Longuet also confirmed in an interview with Les Echos, the French financial daily, that he saw Elf Aquitaine, the oil group, and Rhône-Poulenc, the chemicals company, as key candidates for the first round of the privatisation programme.

He was also considering plans to merge Thomson-TCE and Thomson-CSF, the consumer and defence electronics arms of the Thomson industrial group.

The French government has for some time been anxious to finalise Renault's merger with Volvo. The two have been in partnership since 1990 and have since stepped up their co-operation. Mr Longuet said negotiations were being concluded and he "hoped" to complete the deal by August as a precursor to privatising the combined company.

In the meantime, he said Elf Aquitaine and Rhône-Poulenc were "neck and neck" in the race to be the first industrial companies to be sold.

The government, which earlier this week passed its privatisation bill through parliament, is expected later this month to announce the names of between three and six companies scheduled for sale in the first phase of privatisation. The sales will start in September and continue until early next year.

The privatisations form part of Mr Longuet's long-term strategy of reducing the state's role in French industry. He has already affirmed that the new government will be more rigorous than its predecessors in its treatment of ailing public sector companies.

Mr Longuet singled out Bull, the loss-making computer concern, as one company which needed "taking in hand". Bull, which earlier this week announced plans to reduce its worldwide workforce by 6,500, or 18 per cent, by the end of 1994, is seeking a capital injection from the government. Mr Longuet said he planned by the end of this month to present his recapitalisation proposals to the EC.

The minister also cited the Thomson electronics group as a source of concern.

Thomson, like Bull, is on the list of privatisation candidates. But it incurred a net loss last year and its sale is seen as a long-term prospect.

Mr Longuet said he had asked Mr Alain Gomez, chairman of Thomson, to consider the feasibility of merging Thomson-CSF with Thomson-TCE. Thomson declined to comment on the possibility of a merger.

Thomson merger, Page 20

Gérard Longuet: Elf Aquitaine and Rhône-Poulenc to be sold

Deutsche Bank may cut stake in Daimler

By David Waller in Frankfurt

DEUTSCHE Bank may reduce its 28 per cent holding in Daimler-Benz in the medium-term, Mr Edzard Reuter, the chief executive of Daimler has said.

He said it was possible that Deutsche Bank would reduce its stake, although there were no immediate plans to do so.

Even after a reduction, Deutscha "would remain a highly-valued large shareholder in the house of Daimler-Benz", Mr Reuter said.

The comments came after a speech at the Nuremberg chamber of commerce on Tuesday night, details of which became public yesterday.

The holding by Germany's biggest bank in Germany's biggest industrial company, worth more than DM8bn ($5bn), dates back to the late 1920s and is one of the most enduring features on the German corporate landscape.

The implications of Mr Reuter's remarks go beyond the question of how much the bank could raise through such a sale, and when.

The fact that it is being talked about shows the extent to which the German industrial and financial establishment is prepared to think the unthinkable amid the worst recession since the second world war.

Mr Reuter's statement follows comments by a Deutsche Bank board member earlier this year that both sides had agreed that the stake should be reduced over the medium term. These remarks prompted fiarce denials from both companies.

Both Deutsche and Daimler insisted again yesterday that there were no plans for a reduction. But Mr Reuter's willingness to address the issue adds weight to speculation that the two have had behind-the-scenes talks. This is thought to be in connection with Daimler's decision to seek a listing on the New York Stock Exchange later this year.

Daimler, which derived two-thirds of last year's DM98.6bn turnover from its Mercedes-Benz car subsidiary, has said that it was planning a DM2bn to DM3bn rights issue next year following the US listing. It is possible that Deutsche would not take up its entitlement to new shares, which would dilute its bolding.

The relationship between Daimler and Deutsche has been close since the late 1920s. The chief executive of the bank has always been chairman of Daimler-Benz's supervisory board.

Deutsche helped devise Daimler's controversial strategy of diversifying away from car manufacturing with the aim of becoming a "diversified technology" group.

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Norma Cohen on the launch of the global bookbuilding exercise

Warburg's war game for BT3

It is a far cry from the world of the bumbling Inspector Morose, the advertising character promoting the sale on UK television.

The SG Warburg machinery, clicking into place for the worldwide sale of the UK government's remaining 22 per cent stake in British Telecommunications, is highly computerised and, according to its operators, better oiled than anything which has gone before.

Today, SG Warburg, co-ordinator for the third and last sale of the government's shares, launches the US-style "bookbuilding" operation to collect investors' bids for the shares and help establish the selling price.

Warburg concedes that there are few innovations in the bookbuilding technique, which has already proved itself in BT2 and in the Wellcome Trust's sale of its stake in Wellcome Plc.

But it does offer refinements on the syndication procedure and new software, which Warburg says will simplify the process and save money on administration.

Unlike BT2 and the Wellcome deal, the sale of BT3 shares does not involve a series of syndicates selling to designated geographic regions.

Instead, there are 11 global managers who are free to market to any of 473 so-called "exempt" institutional investors. These are large investors who have internationally diversified portfolios and were probably purchasers of, or bidders for, shares in the BT2 offering.

Separately, three regional syndicates cover Japan, North America and the rest of the world. These may solicit bids from investors not on the exempt list. Each syndicate will submit bids directly to computers located in Warhurg's war-room, on the sixth floor of the merchant bank's London headquarters.

Trevor Humphries

Warburg's war-room in London's Broadgate: Maurice Thompson in the global bookbuilding centre

Mr Maurice Thompson, director of equity syndication at SG Warburg Securities, says the software can instantly produce colour graphics offering snapshots of the bidding process by region. "People can take it home for bed-time reading."

Another advance is the commission structure. The commission to global co-ordinators could be worth around £40m ($60m) on the basis of is 1 per cent of the sum raised, with 20 per cent of that distributed on an agreed basis. However, unlike previous global tender offers, the remaining 80 per cent will go to whichever of the global co-ordinators the investors select, rather to the firms that booked the orders.

Mr Thompson says this tactic will make it easier for investors to spread the commission among the various firms which aided them in the bidding process. Mr Rory Tapner, director of Warburg Securities, concedes it is possible that investors unhappy with Warburg's tactics in the offering may choose to punish the firm by ensuring that it does not get its share of their commission.

If that is the case, he insists there will be no retaliation in the number of shares awarded. "Designation will not affect allocation," he says.

The ability of clients to split commission is aimed at motivating firms to encourage bidding, even when it is not clear they will earn direct remuneration. The aim of the bookbuilding is to achieve the highest price for the shares, while ensuring that those who bought them do not immediately dump them.

Indeed, the vigour with which Warburg has pursued this goal has attracted howls of outrage from UK institutional investors. Warburg had said that in the allocation period, it would reward those who had bought shares before the bidding process and penalise those who had sold them.

To this end, it asked the London Stock Exchange in June to "recommend" that dealings in BT3 shares before allocation be for cash settlement rather than the two-week account period. Such a move would allow Warburg to know within two days who had bought and sold shares. After vigorous institutional protest, the exchange backed down on plans to concede to the request. It instead decided to require all deals involving more than 100,000 shares to be reported to it.

Mr Tapner insists the request was only aimed at helping the firm to reward buyers. Investors will now be asked to sign a form confirming to the UK Treasury that they in fact own as many shares as they claim to on the BT3 bidding form.

But he admits the request did reflect the experience of Robert Fleming, global co-ordinator of last summer's Wellcome sale, which saw the Wellcome share price plummet by nearly one-third in the run-up to the bidding process. A stock exchange review found that some investors had sold Wellcome shares short just days before bidding closed, driving prices down.

Perhaps the true test of Warburg's success will come after trading begins. In this "stabilisation" period, those who bought shares for a quick profit will sell them, forcing Warburg to support the price by buying them back.

B T 3

The countdown

- **Today:** SG Warburg begins bookbuilding
- **July 14:** 1st tender - deadline for discounted offer to UK retail clients
- **July 16:** 2nd tender - deadline for institutional bids
- **July 17/18:** Global managers meet to decide pricing and share allocations
- **July 18/19:** Provisional allocation, Sunday; confirmation 8am Monday
- **July 19:** Trading begins

Dixons pulled down by Silo losses in US

By Neil Buckley in London

GROWING losses and closure costs at the Silo chain in the US pushed down annual pre-tax profits at *Dixons, the UK's largest* electrical retailer, to £33.5m ($50.25m) from a restated £50.1m.

The losses, which overshadowed an encouraging performance by Dixons' UK chains, will increase pressure on the group to find a way of turning Silo around or make further closures. Dixons' share price fell 15p to 195p.

Operating losses at Silo increased from £16.9m to £22.4m. Dixons shut five more stores on top of the 45 closures announced in January, and will close a further 11 this year, leading to an *exceptional provision* of £36.2m.

Without the Silo provision, a £6m write-down on UK properties – a discontinued business – and a £1m loss on disposals, the profit before tax in the year to May 1 would have been £76.7m, broadly *in line with analysts' forecasts*. Group turnover increased to £1.93bn (from £1.81bn).

Mr John Clare, managing director, said sales at Silo had risen 2 per cent in the second half, after a 3 per cent fall in the first half, and sales had increased year-on-year in many areas of the US. However, those increases were outweighed by a decline in its biggest markets, especially in California.

"*Success in the UK chains* has been hidden and frittered away by the US losses," said one analyst.

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Lufthansa looks forward to much smaller 1993 deficit

By David Waller in Frankfurt

MR Jürgen Weher, chief executive of Lufthansa, yesterday said the German state-controlled *airline had broken* even in the second quarter of the year and was on course for sharply reduced *losses for 1993* as a whole.

Mr Weber told the annual shareholders' *meeting in* Hamburg that he expected losses at the Lufthansa parent company to fall to DM200m ($125m) *this* year against DM391m in 1992.

In the first half, the parent company loss was *likely to be* DM250m, compared with a DM542m deficit in the comparable period of last year.

This reflected what Mr Weber described as *the* ongoing crisis in tha world airline industry, where "the whole sector is bankrupt".

He reiterated his familiar complaint against Chapter 11 laws in the US – which allow insolvent companies to carry on trading with protection from creditors – which acted as a form of subsidy to the North American airline industry.

He tempered the note of optimism on profits with a call to staff to maintain the group's battle to cut costs, a battle which he said was entering a second phase after saving more than DM1bn last year.

Further cost-cntting was the only way for the company to survive in *increasingly* competitive world markets, he said.

The airline would press ahead with plans to cut 2,900 further jobs between now and the beginning of next year, taking the total reduction in jobs since last June to 8,400. At the end of last year the airline employed 48,251 people.

Mr Weber said the airline would need a further injection of capital next year, given that the its ratio of equity capital to total assets fell to 21 per cent last year from 26 per cent in 1991.

Lufthansa intends to extend the global reach of its operations via the increased use of co-operation agreements with other companies.

It is also likely to increase its 11 per cent stake in Deutsche *Reisebüro*, a German tour operator.

BASF trims workforce in drugs division by 15%

By Christopher Parkes in Frankfurt

BASF, the German chemicals group, is to cut up to 15 per cent of the workforce employed in its German pharmaceuticals divisions.

Claiming that the domestic drugs companies had fallen deeply into the red in the first half, Mr Hans-Uwe Schenck, chairman of the group's Knoll division, said all cost-cutting possibilities were being examined in collaboration with workers' representatives.

He calculated up to 600 of the 4,000 German workforce would have to go.

Other BASF officials complained recently that government health service reforms had led to drugs turnover falling by as much as 18 per cent. Mr Ingo Paetzke, a group director, forecast a substantial decline in domestic sales for the full year and even heavier falls in profits.

The group recently announced plans to restructure its pharmaceuticals business, partly in response to rumours that it planned to dispose of it, and partly to equip the business better for international competition.

Provided the board approves, all activities will be focused in a new division, BASF-Pharma, from the start of next year.

The main components of the new division will be Knoll, Nordmark and Minden Pharma.

BASF employs 7,800 worldwide in pharmaceuticals. More than a quarter of its DM2bn ($1.26bn) turnover last year came from the German market, with a further 30 per cent each from North America and elsewhere in Europe.

A management consultants' study on which the project is based recommended that BASF reduce the number of research projects under way, and focus on the most promising products, especially those with international marketing prospects.

Thomson asked to consider CSF-TCE merger

By Alice Rawsthorn in Paris

THE FRENCH government has asked Thomson, the state-controlled electronics group, to consider merging Thomson-CSF, its defence electronics arm, with Thomson-TCE, its consumer electronics subsidiary, as part of the shake-up of France's public sector.

Mr Gérard Longuet, industry minister, said in an interview with Les Echos, the financial newspaper, that he had asked Mr Alain Gomez, chairman of Thomson, to examine "bow to bring together the two sides of the group". Thomson said it could not comment.

The two businesses are in different areas of electronics and are different in terms of their relationship to the Thomson group and their financial condition.

Thomson-CSF, which specialises in defence electronics, is controlled by Thomson, with a 60 per cent stake. The remainder of its shares are quoted on the Paris stock market. It made net profits of FFr1.52bn ($281.5m) in 1992, a fall of 35 per cent on the previous year due to the losses on its holding in Crédit Lyonnais, the troubled French banking group.

Thomson-TCE is involved with consumer electronics and wholly-owned by Thomson. It has been badly affected by the competitive state of the European consumer electronics industry and last year made a net loss of FFr1.77bn, thereby contributing to the Thomson group loss of FFr544m.

Mr Longuet said he was aware that the two sides of Thomson had different cultures and of the contrast in terms of product sector and financial condition. However, he said he could not exclude merging them and then privatising the combined CSF-TCE group.

Thomson, scheduled for sale to the private sector in the mid-1980s by the last French centre-right government, is one of the current privatisation candidates.

German flotations may rise sharply

By David Waller

THERE are between 1,500 and 2,000 German companies likely to go public on the German stock markets in the long term, a leading German banker said yesterday.

This prediction, from Mr Ronaldo Schmitz of the Deutsche Bank, compares with about 425 listed German companies at present and suggests that there is potential for the development of Germany's equity markets.

It is optimistic in view of a dearth of new issues on the German equity markets. Last year only eight companies came to the market.

However, Mr Schmitz, board director in charge of corporate finance at Germany's largest bank, told a conference in Frankfurt yesterday that there were significant hurdles to overcome before there could be a significant rise in the number of new issues.

These include better attention being given to the pricing of new issues, tougher rules on minimum requirements for new issue candidates, as well as better investment analysis from the stockbroking community.

Mr Schmitz acknowledged that the slowdown in new issues over recent years, down from a peak of 26 in 1990, reflected more than just a deterioration in the German economy or the poor performance of the German stock market. He noted that since the end of the 1980s the price performance of new issues had been markedly worse than for the market as a whole. This had made investors reluctant to take shares in new issues.

Mr Schmitz, a former finance director of the BASF chemicals group who is rapidly acquiring a reputation for outspokenness on issues concerning Germany's capital markets, said Germany industry as a whole was undercapitalised compared to international competitors.

He said that this was especially true of Mittelstand companies, medium-sized companies which had an average ratio of equity capital to total balance sheet assets of about 20 per cent, compared with over 25 per cent for German companies as a whole and more than 40 per cent for US and UK companies.

This shortage of capital could damage companies chances of growth and their competitiveness, Mr Schmitz said, giving them an obvious incentive to come to the stock market.

Another impulse to new issues on the German market could come from larger companies spinning off minority holdings in subsidiary companies, a process Mr Schmitz noted was under way at groups such as Metallgesellschaft.

Ruhrkohle confirms cut in jobs

By Ariane Genillard in Bonn

RUHRKOHLE, Germany's largest coal producer, confirmed yesterday that 14,000 jobs would be axed in the next two years because of the worsening steel crisis.

Sales for 1992 fell DM900m to DM12.8bn ($8bn).

The company, which receives heavy state subsidies, reported a loss of DM78m against a DM20m loss the previous year.

Ruhrkohle said it was hard hit by declining orders from steel groups, with unsold stocks in 1992 amounting to between 3m and 3.5m tonnes of coal.

It said it was particularly affected by the closure of a coke plant by Klöckner, the steel group which recently agreed to large capacity cuts to push through a debt-relief scheme.

The company reduced its production capacity by 9.5 per cent to 43.8m tonnes of coal, coke and lignite. Over 6,000 jobs were cut in 1992.

Last month, Ruhrkohle closed a coke works in Essen, in the Ruhr valley, where 1,000 workers were employed. It plans to shut down the largest part of a coke works in Hassel by the end of October.

The threat of closure continues to hang over the Aden/Monopol mine in Bergkamen, where 3,000 coal miners are employed.

The company said it had to speed up its restructuring as orders from steel producers, expected to reach 4m tonnes of coke and coal per year between 1992 and 1996, fell to 32m tonnes last year.

Ruhrkohle accounts for 64 per cent of the turnover of the entire Ruhrkohle group, which includes divisions specialised in environment technology and mining machinery. The group recorded 1992 profits of DM66m.

Group sales fell by 100m to DM24.6bn due to the decline in the main coal business.

Austrian Airlines sees wider loss

By Ian Rodger in Zurich

AUSTRIAN Airlines expects this year's pre-tax loss from operations to jump 60 per cent to about Sch700m ($61.4m) in spite of substantial reductions in operating costs.

Mr Herbert Bammer, joint chief exectitive, made the gloomy forecast at a press conference in Vienna yesterday to disclose first-half results.

It will be the third successive operating loss for the partially privatised airline. The dividend was passed last year and the group has made clear that none will be paid this year.

In the first half, Austrian suffered a pre-tax loss of about Sch400m compared with a loss of Sch251.7m on flat revenues of Sch5.3bn. The net loss expanded to Sch290m from Sch126m, mainly because of severe price competition. The number of passengers carried was up 3 per cent to 1.4m.

Mr Bammer said the airline would consider scrapping loss-making long haul routes, possibly including transatlantic ones. "We have no prestige routes which we have to fly at any cost," he said.

On the other hand, Austrian was continuing to build up its profitable services to eastern Europe, with plans to add Tirana and Odessa to its schedula this winter.

Austrian is in discussions with Swissair, KLM Royal Dutch Airlines and Scandinavian Airlines System aimed at combining forces to increase their market power. Austrian's management expects to make a recommendation to its board on the proposed co-operation or on alternative tie-ups by the end of August.

● Swissair denied reports that it would buy the 36 per cent of the shares of Balair that it does not own. Balair is a quoted Swiss charter airline. Swissair said that it was possible that it would make an offer for the shares, but no decision had been made and it would not happen in the near future.

Trelleborg to cut debt by SKr3bn

By Christopher Brown-Humes in Stockholm

TRELLEBORG, the Swedish mining and metals trading group, is aiming to cut debt by SKr3bn ($416.7m) in the next 12 months as part of a recovery strategy and renewed focus on core operations.

The group, which has net debt of abont SKr10bn, has sold assets worth SKr1.4bn this year.

Mr Kjell Nilsson, president, said the group aimed to concentrate on mining, metals trading and rubber. It would not be a long-term participant in forestry and construction related activities, he added. "A 10 per cent increase in metals prices is worth more for the group than the profits of four of our construction related businesses in a top year," Mr Neilsson stated.

Operations which could be sold include Munksjo, the paper and packaging operation, and Svedala, the mineral processing and materials transport unit. Munksjo alone could fetch several billion kronor.

Cutting debts by SKr3bn would lift the group's equity to assets ratio above 30 per cent from 24 per cent today. This would make it easier to raise new equity to support the long-term development of core activities.

Budgens to test discount format

By Andrew Bolger in London

BUDGENS, the small food retailing chain, will open four trial discount stores next month in a format it devised with Rewe, one of Germany's largest food retailers.

Rewe is a private company which operates 8,000 stores and has 15 per cent of the German food market. In April it stepped up the continental assault on British discount retailing by buying a 26 per cent stake in Budgens.

Budgens is converting four of its existing 100 stores in the south-east of England to the new format, named Penny Market. Rewe currently operates more than 1,400 discount grocery outlets, as well as supermarkets and hypermarkets.

Several continental European discounters, attracted by high profit margins in UK food retailing, have opened stores in the past three years, making discounting the fastest-growing area of the UK food market.

Budgens will decide whether to expand the new format after two months. Mr John von Spreckelsen, chief executive, said any extra Penny Market stores would be in addition to the Budgens chain.

Mr von Spreckelsen, chief executive of the struggling chain since 1991, meanwhile confirmed that Budgens' profitability was still recovering in spite of what he described as "continuing attrition" from retail competitors.

Last year 800,000 sq ft of competitive space was opened close to Budgens' outlets in the south-east.

Lex, Page 18

Portugal bank sale raises Es32.3bn

By Peter Wise in Lisbon

THE Portuguese government has raised Es32.3bn ($209.7m) from the sale of 17.5 per cent of Banco Portugues do Atlantico, following the announcement yesterday of results for the third phase of the privatisation of the country's largest commercial bank.

A core of 15 Portuguese investors, led by Mr Belmiro de Azevedo, increased their stake in the bank to 26 per cent from 22 per cent to remain the largest investor group.

As part of this third phase of privatisation, three stakes of 3.5 per cent each were sold to three European banks but the names of the banks, called strategic partners, are not likely to be revealed until October. The project is being negotiated by Crédit Comercial de France for the Portuguese government. Demand for shares exceeded supply by 21 per cent. The state has a 24.3 per cent stake in the bank.

The rules for the privatisation stipulate that no entity, single or collective, may acquire more than 15 per cent of the institution. Shares must be held for a least a year. Foreigners are limited to purchasing 7.5 per cent of the bank and Portuguese companies are prohibited from buying shares on behalf of foreign companies.

● Bankers Trust, the US merchant bank, yesterday made the first derivative issue for Portugal to help the problem of supply and demand in the Portuguese debt market.

The bank pre-placed the bulk of 3m warrants for 12.5 per cent domestic fixed rate bonds dated January 1998. Each warrant has a face value of Es10,000.

Mr Antonio Beck, who is responsible for the bank's Portuguese business, said that overcoming the liquidity problem was the main motive behind the issue.

All of these securities having been sold, this announcement appears as a matter of record only.

YPF

$2,660,000,000

YPF Sociedad Anónima

140,000,000 Shares

Joint Global Coordinators

CS First Boston Group **Merrill Lynch & Co.**

Banco General de Negocios S.A.
acted as advisor to the Joint Global Coordinators.

These securities were offered in Argentina, the United States and internationally.

International Offering

40,000,000 American Depositary Shares

35,000,000 American Depositary Shares
each representing one Class D Share were offered outside Argentina and the United States

Merrill Lynch International Limited
Baring Brothers & Co., Limited
Kleinwort Benson Limited
Cazenove & Co.
Nomura International
Credit Suisse First Boston Limited
Deutsche Bank Aktiengesellschaft
Paribas Capital Markets

ABN AMRO Bank N.V.
Banco Santander de Negocios
Banque Indosuez
Barclays de Zoete Wedd Limited
James Capel & Co.
Credit Lyonnais Securities
Dresdner Bank Aktiengesellschaft
N M Rothschild & Sons Limited
Smith New Court Securities Limited
Swiss Bank Corporation
UBS Limited
S.G.Warburg Securities
Yamaichi International (Europe) Limited
Argentaria Bolsa S.V.B.
BHF-BANK
BNP Capital Markets Limited
Daiwa Europe Limited
ING Bank
Jardine Fleming
Latinvest Securities Limited
Mediobanca-Banca di Credito Finanziario S.p.A.
J. Henry Schroder Wagg & Co. Limited

5,000,000 American Depositary Shares
each representing one Class D Share were offered elsewhere in North and South America

Merrill Lynch International Limited
Credit Suisse First Boston Limited
Citibank International plc
RBC Dominion Securities Inc.
Santander Investment Bank Limited
Scotia McLeod Inc.
Wood Gundy Inc.

Banco Alemán Paraguayo
Banco Comercial
Banco de Investimentos Garantia S.A.
Banco Itaú S.A.
Banco Pactual S.A.
Credit Lyonnais Securities (USA) Inc.
Filanbanco
Inverlat International, Inc.
Larraín Vial S.A.
Serfin Securities, Inc.

United States Offering

65,000,000 American Depositary Shares
each representing one Class D Share

The First Boston Corporation
Goldman, Sachs & Co.
Bear, Stearns & Co. Inc.
Merrill Lynch & Co.
Salomon Brothers Inc
J. P. Morgan Securities Inc.
PaineWebber Incorporated

Alex. Brown & Sons Incorporated
BT Securities Corporation
Dillon, Read & Co. Inc.
Donaldson, Lufkin & Jenrette Securities Corporation
A.G. Edwards & Sons, Inc.
Howard, Weil, Labouisse, Friedrichs Incorporated
Kidder, Peabody & Co. Incorporated
Lazard Frères & Co.
Lehman Brothers
Morgan Stanley & Co. Incorporated
Oppenheimer & Co., Inc.
Prudential Securities Incorporated
Smith Barney, Harris Upham & Co. Incorporated
Wertheim Schroder & Co. Incorporated
Dean Witter Reynolds Inc.
Baring Securities Inc.
Credit Lyonnais Securities (USA) Inc.
Deutsche Bank Capital Corporation
Kleinwort Benson North America Inc.
Nomura Securities International, Inc.
Paribas Capital Markets
Serfin Securities, Inc.
N M Rothschild and Smith New Court
S.G.Warburg Securities
Yamaichi International (America), Inc.
Advest, Inc.
Allen & Company Incorporated
Arnhold and S. Bleichroeder, Inc.
Robert W. Baird & Co. Incorporated
Sanford C. Bernstein & Co., Inc.
William Blair & Company
J. C. Bradford & Co.
Cowen & Company
Dain Bosworth Incorporated
Fahnestock & Co. Inc.
First Albany Corporation
First of Michigan Corporation
Gruntal & Co., Incorporated
Interstate/Johnson Lane Corporation
Janney Montgomery Scott Inc.
Edward D. Jones & Co.
Kemper Securities, Inc.
Ladenburg, Thalmann & Co. Inc.
Legg Mason Wood Walker Incorporated
Mabon Securities Corp.
McDonald & Company Securities, Inc.
Morgan Keegan & Company, Inc.
Needham & Company, Inc.
Neuberger & Berman
Petrie Parkman & Co.
Piper Jaffray Inc.
The Principal/Eppler, Guerin & Turner, Inc.
Ragen MacKenzie Incorporated
Rauscher Pierce Refsnes, Inc.
Raymond James & Associates, Inc.
The Robinson-Humphrey Company, Inc.
Stephens Inc.
Stifel, Nicolaus & Company Incorporated
Sutro & Co. Incorporated
Tucker Anthony Incorporated
Wheat First Butcher & Singer CAPITAL MARKETS
Baird, Patrick & Co., Inc.
The Chicago Corporation
Crowell, Weedon & Co.
Dominick & Dominick Incorporated
Johnson Rice & Company
Johnston, Lemon & Co. Incorporated
Mesirow Financial, Inc.
The Ohio Company
Parker/Hunter Incorporated
Pennsylvania Merchant Group Ltd
Rodman & Renshaw, Inc.
Roney & Co.
Seidler Amdec Securities Inc.
Southcoast Capital Corporation
Utendahl Capital Partners, L.P.
Wedbush Morgan Securities

Argentine Offering

35,000,000 Class D Shares

Banco Río de la Plata S.A.
Banco de Galicia y Buenos Aires S.A.
Banco de Valores S.A.

Banco Roberts S.A.
Banco Francés del Río de la Plata S.A.
Banco de Crédito Argentino S.A.
Banco General de Negocios S.A.
Banco Mercantil S.A.
Banco Quilmes S.A.
Banco del Sud S.A.

Wang nears exit from Chapter 11

By Louise Kehoe in San Francisco

WANG Laboratories said it expected to emerge from Chapter 11 bankruptcy protection by the end of September.

The US office computer company, which is refocusing its operations on software and services, said it planned to file an amended reorganisation scheme with the US bankruptcy court yesterday.

"Rarely, if ever, has a Chapter 11 case of this magnitude and complexity moved forward as smoothly and as rapidly," said Mr C. Hall Swaim, counsel to the creditors' committee. Wang filed for bankruptcy protection in August 1992.

The company also named a new nine-member board and the resignation of Mr Michael Mee as chairman. He will remain chief financial officer.

The company said the amended plan called for no additional staff reductions beyond the 3,300 job cuts announced in March. It currently employs about 6,000. Under the reorganisation, Wang's cost structure would be significantly reduced.

It said it expected revenues of $1.24bn for fiscal 1993 and would report a net loss of around $199m, including restructuring charges of about $86m and reorganisation fees of about $29m.

For fiscal 1992, Wang suffered a net loss from continuing operations of $358.2m, or $2.11 per share, including pre-tax restructuring and other charges of $277.3m, after a gain of $33m from the sale of real estate and pension plan changes.

Anticipating that it would emerge from bankruptcy at the end of September, the company projected revenues of $955m for the year beginning October 1, with net profits of about $26m.

Under the plan, ownership of the company would be transferred to creditors.

Secured creditors would be paid in full the $50m they are owed, while unsecured creditors, owed about $1bn, would be issued 30m shares of common stock in the reorganised company.

Holders of Wang class B and class C common stock would be issued seven-year warrants to purchase about 20 per cent of the new Wang's common stock.

The amended plan calls for up to 12.5 per cent of the common stock in the reorganised company to be owned by Wang employees through a stock option scheme.

Wang said it would continue to seek funds through a combination of internal financing, further sales of non-strategic assets and external financing. Last week it asked the court for authority to obtain a credit facility of up to $50m.

The reorganisation plan must be approved by Wang's unsecured creditors and stockholders as well as the court.

Tribune pays $97m for two US publishers

TRIBUNE, the diversified US communications group, said it had reached separate agreements to acquire Compton's Multimedia Publishing Group, a unit of Encyclopaedia Britannica, and Contemporary Books, a privately-held non-fiction publisher, Reuter reports.

Tribune said it would purchase Compton's from Encyclopaedia Britannica of Chicago for about $57m in cash and Contemporary Books for $40m in cash and Tribune stock.

Both transactions are expected to be completed in the third quarter.

The company said its Tribune Newspaper subsidiary would be renamed Tribune Publishing.

California-based Compton's publishes reference, education, entertainment and business information titles, principally on the interactive CD-Rom format.

Contemporary Books, based in Chicago, publishes popular non-fiction titles and educational books and materials.

Molson chief optimistic on first-quarter result

By Robert Gibbens in Montreal

MOLSON, the diversified Canadian brewing group, said beer profits this year would be hit by the slow economic recovery in North America and price wars. The group's special chemicals, retailing and entertainment operations, however, should do better.

"Our first quarter ended June 30 will equal or better the year earlier level, when profits were C$38.4m (US$29.9m), or 66 cents a share, on sales of C$799m," Mr Marshall Cohen, president, told the annual meeting.

For the full fiscal year, Molson should improve on its fiscal 1993 performance, he added, when final net profit was C$164.7m, or $2.76 a share, on revenues of C$3.08bn.

Molson, Canada's biggest brewer, last year abandoned efforts to develop a US market on its own and concluded a C$350m deal with Miller, the brewing arm of Philip Morris of the US.

Miller bought the US marketing and distribution rights for the Molson brand, aiming for a US market share of 2.5 per cent in five years, up from the current 1 per cent.

Molson Breweries is 40 per cent owned by Molson, 40 per cent by Foster's of Australia, and 20 per cent by Miller. Mr Cohen said it would take between five and seven years for the full benefit of the Miller deal to offset Molson's smaller share in its international brewing business.

He said that Diversey, Molson's international cleaning chemicals subsidiary, had overcome problems with integrating Du Bois Chemicals in the US.

However, European, Asian and Latin American operations were doing well and Diversey overall now contributed more revenue than the brewing business.

"Diversey can be Molson's most profitable business and yet develop strong competitive positions in all its markets," Mr Cohen said. "We see an improvement in the US operations in the second half this year."

Molson is speeding up its five-year programme to build 28 large hardware stores in Canadian cities after two pilot units had exceeded expectations.

Older hardware stores are being rationalised and overall retail results are improving.

Molson also owns the Montreal Canadiens ice hockey team which won the 1993 National League Stanley Cup and the sports and entertainment outlook is favourable.

Mr Cohen said the group's new strategy and improving performance should be reflected in Molson's share price.

Marshall Cohen: beer profits hit by slow pace of recovery

Ferfin owes top Italian banks L15,000bn

By Haig Simonian in Milan

FERRUZZI Finanziaria (Ferfin), the diversified industrial group which is in financial difficulties, owes about L15,000bn ($9.7bn) to Italy's 10 biggest banks.

Mr Vincenzo Desario, the deputy director general of the Bank of Italy, who revealed the information to a parliamentary committee yesterday, did not specify how much individual banks had lent.

Ferfin, which has total borrowings of about L31,000bn, is being guided by a committee of its five principal bank creditors, led by Mediobanca.

The other banks involved, Istituto Bancario San Paolo di Torino, Credito Italiano, Banca di Roma and Banca Commerciale Italiana, have not all revealed their exposures. However, Credito Italiano lent L1,300bn, while BCI lent about L700bn.

Mr Desario said the 10 biggest domestic banks had lent in aggregate about 21 per cent of their capital to Ferfin. However, he said the figure was within the 25 per cent limit set by the European Community. About L6,500bn in Ferfin's total borrowings came from about 110 foreign banks.

Mr Desario said San Paolo, believed to be the biggest creditor, had lent about 31 per cent of its shareholders' funds. That was in line with the current limit, due to fall to 25 per cent in 1998. Six other banks had lent more than L1,000bn, while seven had lent between L500bn and L1,000bn and 14 more than L100bn.

Mr Desario said the Ferruzzi family should not shirk its responsibilities in the crisis affecting the group. The family, which owns about 48 per cent of the group, should be the first to "pay" as a "minimum condition for the restructuring plan to go ahead".

A long-awaited shareholders' meeting of Serafino Ferruzzi, the family holding company which owns the Ferfin stake, has not yet taken place, amid signs of possible division between the family and Mediobanca.

Nucor boosts sheet steel output

By Martin Dickson in New York

NUCOR, the leading US steel mini-mill group, yesterday announced plans to expand substantially its production of sheet steel. The move increases the threat it poses in this sector of the US market to traditional, integrated steel manufacturers.

Nucor is to increase production at its Hickman, Arkansas, mill by 67 per cent, from 1.2m tons a year to 2m tons a year by the third quarter of 1994.

The company said this would cost less than $35m, and would require only a 15 per cent increase in the number of employees at the plant.

Hickman, which began operations only last year, is the second Nucor plant to use a new method of making sheet steel, called thin-slab casting.

The method was pioneered at the company's plant in Crawfordsville, Indiana, which began operations in 1989. The plant makes steel much more cheaply than conventional methods, since it cuts out several stages of the manufacturing process.

This has presented new competition to the large, integrated US steel companies. Until Crawfordsville began operating, the smaller, low-cost mini-mills had not had the financial muscle to break into the sheet market, which enjoys some of the industry's highest margins.

Nucor announced last April that it was also expanding Crawfordsville's annual capacity, from 1m tons a year to 1.8m tons.

The company said yesterday that by the end of 1994 the total steel-making capacity for all of its seven steel mills should be close to 8m tons a year.

This could make it the third-largest steel manufacturer in the US, after US Steel and Bethlehem Steel.

Kelsey-Hayes joins forces with Japanese group

KELSEY-HAYES, a unit of Varity, the automotive parts, farm equipment and diesel engine maker, and Topy Industries, the Japanese engineering group, are to set up a joint venture to develop, sell and distribute four-wheel anti-lock brake systems in Japan and other Asian markets, Reuter reports from Buffalo.

The joint-venture company will be named Topy/Kelsey-Hayes and each company will hold a 50 per cent stake.

The venture is exclusively licensed in Japan and certain other countries to sell Buffalo-based Kelsey-Hayes' latest EBC 10 family of anti-lock brake systems for use on vehicles which are manufactured in those countries.

Mexican contractor plans IPO and seeks listing in New York

By Damian Fraser in Mexico City

GRUPO Trituredores Basalticos (Tribasa), Mexico's second-largest construction company, is poised to make an initial pnbiic offering of between $250m and $350m of shares, and obtain a New York Stock Exchange listing.

While weakness in the Mexican stock market could still delay the offering, those familiar with the transaction were hopeful yesterday that it would go ahead as planned.

The company expects to offer about $60m of equity in Mexico, between $125m and $185m in the US, and between $65m and $105m in Europe, for a total equivalent to around 30 per cent of its capital.

Tribasa recorded profits of about $100m last year and revenues of $585m, more than 90 per cent of which came from the construction of Mexico's privately-financed toll roads.

The company has built several profitable toll roads around Mexico City, and has significant stakes in the Cuernavaca-Acapulco road (263km), the Mazatlan-Culiacan road, and the unfinished Mexico City-Guadalajara road (340km).

Tribasa's heavy exposure to toll roads worries some analysts, since the programme is in trouble after traffic on existing roads failed to meet projections. While the margins on the construction of toll roads have been around 25 per cent, Tribasa has been unable to sell off its equity stakes in any new roads since the successful securitisation of the Mexico City-Tolnca road.

Tribasa will use the proceeds from the equity offering to reduce debt it has taken on to finance toll road construction, and to expand into other infrastructure areas.

The Mexican government is hoping that private sector construction companies will build and help finance new ports, airports, power and petrochemical plants, water and irrigation systems.

The equity offering is being managed by Interacciones in Mexico, Lehman Brothers in the US, and S.G. Warburg in the UK.

Indonesian timber group plans $200m flotation

By William Keeling in Jakarta

BARITO Pacific Timber, one of the world's largest wood products companies, plans to go public with a $200m share offer that values the company at about $2bn.

The company, which will float later this year, is the flagship of the Barito Pacific Group led by Mr Prajogo Pangestu.

BPT has banking, real estate and petrochemical subsidiaries, as well as 2.46m hectares in timber concessions of its own and access to a total of 5m hectares. This latter figure represents almost 8 per cent of Indonesia's natural production forests.

The company, set up in 1976, estimates its assets at $1bn, although this excludes the full value of forestry concessions which, under Indonesian law, remain the state's property.

Last year BPT recorded a gross profit of $114m on sales of $380m. For 1993 the company forecasts sales of $599m and a gross profit of $309m. Although exact figures are not available, company documents show first-quarter sales this year of nearly $90m and a gross profit of about $50m.

The surge in profits will result, company officials say, from a restructuring of debt, estimated at $560m, and a sharp increase in the world price of timber. BPT exports 95 per cent of production to Japan and Taiwan.

The company also confirmed it had recently made a private placement of shares, amounting to a 20 per cent stake, to Taspen, the largest state pension fund.

Officials said the placement was the result of three years of negotiations. They denied the injection of funds from Taspen was aimed at lowering BPT's debt prior to going public.

While Indonesia, with the third largest natural forests in the world after Brazil and Zaire, has a competitive advantage in wood products, brokers attribute BPT's growth in part to Mr Pangestu's political connections.

Bankers say it was Mr Pangestu who in 1990 helped cover losses of $419m suffered by Bank Duta, majority-owned by three charitable foundations chaired by President Suharto.

Earlier this year, Mr Pangestu joined with state institutions to rescue Astra International, Indonesia's leading automotive group.

North Peko eyes Chile copper

By Bruce Jacques in Sydney

NORTH Broken Hill Peko, the Australian mining group, has joined with Sociedad Minera Pudahuel (SMP), the Chilean copper producer, to evaluate the El Abra copper prospect in Chile.

North is the second Australian company to participate in a joint evaluation of El Abra, offered for tender by Codelco, Chile's state-controlled mining company. About 20 international companies are believed to have registered an interest.

In June, BHP, which already operates the Escondida copper mine in Chile, announced it would join with Magma Copper, the US miner, to consider a tender for El Abra.

North directors indicated yesterday the company would manage the joint evaluation with a view to lodging a tender by September 20. If successful, SMP, which has experience in leaching copper ores for the solvent extraction process, would have an option to purchase a 5 per cent stake.

"North sees this as a first step in pursuing its long-term strategy in Chile," directors said. The company has had a team evaluating business opportunities in Chile for about two years.

Codelco has indicated it wishes to maintain a significant, but probably no-controlling, interest in El Abra, a relatively low-grade oxide and sulphide copper resource.

The prospect was considered uneconomic before the introduction of oxide leaching/solvent extraction technology.

● Resolute Resources, the Australian mining group, has bid for Equity in industry, offering 16 shares for seven Equity in shares. The bid values Equity in at A$140m (US$93m), Reuter reports.

Toshiba, Mitsubishi debt reviewed

By Emiko Terazono in Tokyo

MOODY'S Investors Service, the US credit ratings agency, has placed the long-term debt ratings of two leading Japanese heavy electronics makers under review for possible downgrading.

Moody's said it was reviewing the Aa3 ratings of Toshiba and its subsidiaries, Toshiba America and Toshiba International Finance. Also under review are Mitsubishi Electric, and offshoots Mitsubishi Electric Finance UK and Mitsubishi Electric Finance America.

Japanese electronics makers have been hurt by the prolonged weakness of consumer demand and sluggish capital spending by companies. Depreciation costs from heavy capital expenditure during the late 1980s are also squeezing the industry's profits.

Responding to the announcement, Toshiba said it expected improved earnings for the year to next March. It based its hopes on a recovery in the US computer industry, and the Japanese government's emergency economic package.

The agency said it would focus on both Mitsubishi and Toshiba's ability to improve profit margins and cash flow of weak sectors, as well as debt reduction and efforts to cope with the strengthening yen.

Rush to buy Chinese brewer's HK offering

By Simon Holberton in Hong Kong

TSINGTAO Brewery, the first of nine mainland Chinese state-controlled companies to be listed on the Hong Kong Stock Exchange, yesterday said its HK$889m (US$114.9m) public offer had been subscribed 110.5 times.

Anheuser-Busch, the largest US brewer, has taken 5 per cent of the issue for HK$126m, which suggests that Hong Kong and other foreign investors have put up HK$84.3bn in their attempt to win stock in the Chinese brewer.

Tsingtao's "H" shares will begin trading on the Hong Kong exchange on July 15.

The company offered investors 317.6m new shares, at HK$2.80 each, or 35 per cent of the company's enlarged capital. A further 11 per cent of Tsingtao's shares will be issued as "A" shares to mainland investors at a future date.

The company's profits are forecast to rise to Yn193m (US$33m) this year, compared with Yn44m in 1992. However further strong growth in profits may have to wait until 1995, when the company's fourth brewery comes on stream.

The level of oversubscription for the Tsingtao issue fell well short of that achieved in February by Denway Investment, a Hong Kong-based mainland company with automotive assets in southern China. Denway sought HK$402m, but speculators applied for HK$240bn of stock.

Since then, Hong Kong's monetary authorities – fearing a risk to the colony's banking system – have tightened regulations governing bank lending for new issues.

However, in spite of this, market expectations were for Tsingtao to be subscribed by up to 300 times.

● China Everbright, a Chinese state-owned company, has acquired 25m shares of HTP Holdings. The investment represents 15 per cent of HTP and is the Chinese company's first large investment in the Singapore stock market.

Acom an acronym for moderation

Robert Thomson on a cautionary tale of Japanese consumer lending

IN explaining the principles of his consumer finance company, Mr Kyosuke Kinoshita, president of Acom, displays the Japanese love of lofty sentiment. It is, he suggests, all in the name: "A" stands for affection, "CO" for confidence, and the "M" for moderate.

Regardless of whether Japanese-speaking customers understand the acronym's nuances, the emphasis on caring and confidence is an understandable reaction by Mr Kinoshita against the image of an industry once famed for extortionate interest rates and gangland loan officers.

Acom, and two other large consumer finance companies, Promise and Sanyo Shinpan Finance, will help the industry take another large step towards respectability by listing on Tokyo's over-the-counter market in coming weeks. The move will also be a test of strength for the Tokyo stock market.

The emphasis on "moderation" has become even heavier in the aftermath of the boom lending era of the late 1980s, when even venerable Japanese banks lent heavily to less-than-respectable property developers and stock speculators, leaving them with a pile of non-performing loans.

Mr Kinoshita said his company, founded in 1978, was careful in its lending during the late 1980s. Property-related loans account for an estimated 7.7 per cent of Acom's total lending, which at the end of March was Y598.3bn ($5.47bn), an increase of 9.4 per cent over a year earlier. Consumer lending by risk-conscious banks fell 3.2 per cent in the last fiscal year.

"We have a risk system called Man and Machine. We have all the important data in our machines, but it will be the man who finally decides on the loan," Mr Kinoshita said. "We check very closely as to why a person needs money. We explain to them what it means to accept credit."

Acom, which estimates that non-performing loans totalled Y17.6bn at end-March, needs this sort of strong screening process since 88.6 per cent of lending is unsecured personal loans. And its collateral-backed business is directly linked to asset markets badly bruised by three years of falling prices.

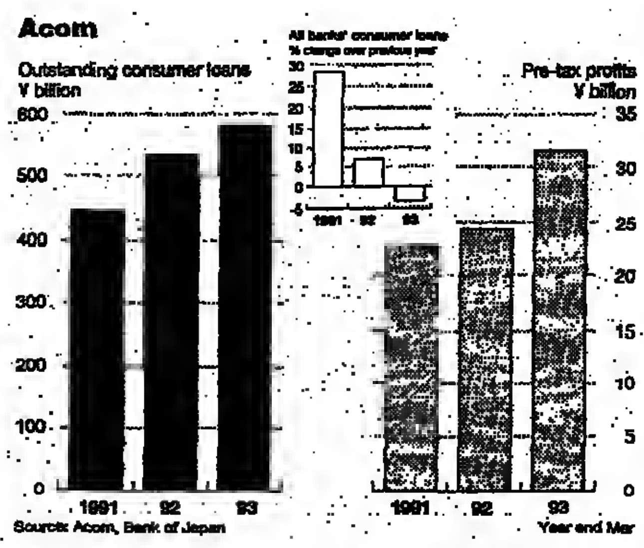
The collateral includes property, securities, paintings and golf club memberships, for which there is a large market in Japan. Share prices are still half their level of December 1989, to judge by the Nikkei average, and the price index for golf memberships has fallen even further. Property prices are still weak.

Acom, which also has video, compact disc and furniture rental shops, is retreating from the art-backed lending market, with loans down from Y4.3bn in 1990 to Y600m last year. However, it still retains an obvious interest in fine art – a Renoir, a Matisse and a Monet hang in one of its conference rooms.

A tasteful array of French Impressionists is intended to show that the company is very different to the *sarakin* companies, the last-resort lending shops of the 1970s, whose unsavoury practices prompted the finance ministry to limit interest rates in 1983.

Apart from distancing his company from the *sarakin*, Mr Kinoshita's emphasis on educating customers is also a response to a surge in personal bankruptcies in Japan, particularly among the young. Court filings for bankruptcy rose almost 80 per cent last year.

Acom produces a "money plan" handbook, its cover showing an ideal young couple in the company of a red sports car. Inside there is guidance on "having a happy life", a cautionary tale about the high costs of consumers' brand consciousness, and an explanation of the importance of planning finances.



"Japan is the same as other countries. There are some people who understand credit and other people who don't," Mr Kinoshita said. He sees potential for increased lending in regional Japan, where, he says, the effects of the economic downturn are not as noticeable, and competition from larger commercial banks is less intense.

There is, however, debate among government economists over whether the downturn in regional areas may be less severe, but longer-lasting, than that of larger cities. Acom's lending to customers outside the Tokyo and Osaka districts accounts for 54 per cent of total lending, while 313 of its 601 offices are in provincial areas.

"I don't think the Japanese economy has yet hit the bottom, but I hope that the next few months will be brighter. The political confusion may delay a recovery. Before this crisis, I thought the recovery would come in the autumn," said Mr Kinoshita.

The timing of the stock market listing, expected to be formally approved next month, will partly depend on the health of the Tokyo market. Investors' response to the listing will be a measure of the industry's attempts to rehabilitate itself, and of perceptions of the company's exposure to the excesses of the late 1980s.

"We have to be careful how we refer to the listing, as only God knows when it will take place. In the end, the market will determine the day."

Domestic growth helps lift Daewoo Electronics 25%

DAEWOO Electronics, South Korea's third-largest consumer electronics manufacturer, yesterday reported a 25 per cent rise in net profits, to Won14bn ($17.5m) during the first half of 1993, on the back of brisk domestic sales, writes John Burton in Seoul.

Sales grew 15 per cent to Won997bn, including a 17 per cent rise in domestic sales to Won425bn. In the Korean market, sales of microwave ovens were up 58 per cent; washing machines 28 per cent; and televisions 17 per cent.

Exports, which rose 13 per cent to Won572bn, were bolstered by the Korean won's depreciation against the Japanese yen. Microwave ovens, washing machines and refrigerators all posted growth above 30 per cent in foreign markets.

Daewoo also announced it had acquired for $1.4m an audio production facility in the Chinese province of Shandong which it had leased since last August. The facility has capacity to produce 50,000 sets of cassette stereos, CD players and headphones annually.

The company plans to transfer the production of cheap audio products from South Korea to the Shandong plant to take advantage of low labour costs.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Prices for Trading on 08.07.93: Pool purchase price £/MWh	Final Prices for Trading on 18.06.93: Pool purchase price £/MWh	Final Prices for Trading on 18.06.93: Pool selling price £/MWh
0030	18.00	20.63	24.65
0100	18.11	20.63	24.71
0130	18.11	18.09	18.09
0200	18.11	18.09	18.09
0230	18.11	18.09	18.09
0300	18.11	18.09	18.09
0330	18.11	18.09	18.09
0400	18.11	18.09	18.09
0430	18.11	18.09	18.09
0500	18.11	18.09	18.09
0530	18.07	18.09	18.09
0600	18.08	18.09	18.09
0630	18.08	20.74	24.93
0700	22.05	25.13	29.44
0730	25.30	25.78	29.80
0800	25.32	28.64	30.77
0830	28.08	31.30	35.81
0900	28.35	31.66	36.03
0930	28.55	33.90	38.32
1000	28.67	34.05	38.51
1030	28.70	32.10	36.60
1100	30.98	32.33	35.76
1130	32.94	32.87	37.42
1200	35.79	37.62	42.34
1230	35.87	37.44	42.11
1300	35.19	36.74	41.28
1330	28.56	31.32	35.53
1400	28.33	31.09	35.25
1430	28.25	27.52	31.57
1500	26.62	27.60	31.57
1530	26.65	27.47	31.55
1600	30.64	35.38	38.70
1630	32.32	36.70	41.07
1700	34.82	36.77	41.11
1730	34.64	36.61	40.84
1800	31.90	35.16	38.16
1830	25.40	20.38	20.38
1900	25.30	19.62	19.62
1930	25.30	19.62	19.62
2000	25.29	19.62	19.62
2030	25.29	19.00	19.00
2100	29.89	34.00	38.29
2130	31.30	34.00	38.16
2200	36.00	34.00	37.81
2230	44.00	34.00	38.02
2300	44.00	34.00	38.16
2330	23.61	32.94	37.15
2400	22.05	25.42	29.49

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.88/MWh becomes 1.888p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone [illegible] between 8.30am and 6.15pm Monday to Friday.
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LEGAL NOTICES

LEGAL NOTICES

INTERNATIONAL CAPITAL MARKETS

Treuhand auction gives impetus to bund investors

By Peter John in London and Patrick Harverson in New York

A WELL-RECEIVED bond auction in Germany provided an impetus for bund investors yesterday.

The DM4.25bn auction of bonds issued by Treuhand, the state agency responsible for privatising companies in the former east Germany, resulted in an accepted bid price of 99.49 and a yield of 6.7 per cent. There was no official statement of the demand but dealers said it was well-covered with considerable domestic interest.

GOVERNMENT BONDS

Traders said investors were selling bund futures to buy the Treuhand bonds, which form part of a DM10bn issus announced on Tuesday.

The sale was the main factor in a generally quiet day with no signals coming from the repo rate announcement – the variable rate was left unchanged at 7.3 per cent – and little indication that the Bundesbank intended to cut rates when it next meets on July 15.

However, economists hope to glean some information from the next money supply growth figures, due at thet central bank meeting. The last M3 figure of 6.7 per cent was above the central bank's target range and if next week's figure is within the range there is a greater chance of a further monetary easing et the final council meeting before the summer break on July 29.

Futures selling to buy the Treuhand bond saw the bund contract for Ssptember loss earlier gains and close only 2 basis points higher at 95.39.

■ THE UK government bond market ran out of steam yesterday as both sterling and gilts had been considered overbought.

With no economic data on the horizon and the tap of 9 per cent stock dated 2008 said to be finally exhausted, the gilts markst drifted. Any support that it received was psychological and came from overseas. Gilt futures for Ssptember were down on the previous close but ¼ up on the day.

■ FRENCH government bonds held steady yesterday despite a growing belief that they have hit a short-term high and are ripe for profit-taking.

Bond prices were helped by a slightly stronger franc, which recovered from recent weakness against the D-Mark. The yield spread between French and German 10-year government bonds remained vsry low, closing at 6 basis points, according to JP Morgan. On the Matif, September futures rose 0.18 to 119.78.

■ JAPANESE debt prices were weaker in Tokyo as the Bank of Japan sought to pour cold water on increasingly heated rate cut rumours.

Speculation has gathered pace that the central bank will cut its official discount rate, presently at 2½ per cent, by as much es 50 basis points. Although it is considered unlikely that the bank will ease before the general election on July 18, traders have been busily discounting any change.

At its money market operations yesterday, the central bank provided far less supply than the market expected and forced short-term rates higher.

The yield on the JGB No 145, which has been below 4.3 per cent in the past few days, rose to 4.35 per cent and when Japanese bond futures began trading in London, the September contract slipped 7 basis points to 109.13. Following encouraging comments from e Japanese government official that the pain threshold for Japanese exporters could be Y95 to Y105 against the dollar, the September contract recovered to close at 109.30.

■ A DECLINE in commodity prices provided a modest boost to US Treasuries yesterday morning.

By midday, the benchmark 30-year government bond was up $\frac{1}{32}$ at 105¾, yielding 6.674 per cent. At the short end of the market, the two-year note was also up $\frac{1}{32}$, at 100¼, to yield 3.975 per cent.

After Tuesday's steep rise in the Commodity Research Bureau index had deflated government securities prices, yesterday's retreat in the index prompted some buying among market participants, mostly the professional dealers.

Otherwise, the attention of investors and dealers was focussd on the Fsderal Reserve's Open Market Committee, which was meeting to discuss monetary policy. Although the rise in the CRB index raised some fears that the FOMC would keep the bias of its strategy tilted towards a tightening of monetary policy, most analysts believe the committee will vote to return the bias to neutral in the wake of recent weak employment data.

FT FIXED INTEREST INDICES

	July 7	July 6	July 5	July 2	July 1	Year ago	High *	Low *
Govt Secs (UK)	97.87	97.90	97.74	97.39	97.43	89.62	98.04	93.28
Fixed Interest	115.92	115.90	115.79	115.48	115.42	108.10	115.92	108.67

Basis 100: Government Securities 15/10/26; Fixed Interest 1928.
* for 1993. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75)
Fixed interest high since compilation: 115.92 (7/7/93) , low 50.53 (3/1/75)

GILT EDGED ACTIVITY

Indices*	July 6	July 5	July 2	July 1	June 30
Gilt Edged Bargains	109.3	95.8	96.2	123.6	119.5
5-Day average	108.9	107.8	108.2	108.7	106.8

* SE activity indices rebased 1974

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		8.500	08/03	116.8884	+0.309	7.25	7.37	7.74
BELGIUM		8.000	03/03	113.6900	+0.140	7.00	6.99	7.37
CANADA *		7.500	12/03	101.4830	-0.336	7.29	7.36	7.61
DENMARK		8.000	08/03	107.1750	+0.078	6.97	6.84	7.47
FRANCE	BTAN	8.000	05/98	107.5723	+0.039	6.13	6.12	6.60
	OAT	8.500	04/03	112.3800	+0.100	6.72	6.72	7.17
GERMANY		6.75	04/03	100.5700	+0.020	6.68	6.61	6.90
ITALY		11.500	03/03	104.2000	+0.225	11.07†	11.44	12.28
JAPAN	No 118	4.800	06/99	103.2028	-0.149	4.13	4.20	4.42
	No 145	5.500	03/02	107.3823	-0.194	4.34	4.38	4.56
NETHERLANDS		7.000	02/03	103.6198	+0.070	6.47	6.42	6.75
SPAIN		10.300	06/02	100.8700	-0.059	10.12	10.12	16.68
UK GILTS		7.250	03/98	102-06	-	6.68	6.84	7.06
		8.000	06/03	103-09	+1/32	7.52	7.64	8.02
		9.000	10/08	109-05	-2/32	7.95	8.00	8.40
US TREASURY *		6.250	02/03	103-15	-9/32	5.77	5.78	6.09
		7.125	02/23	105-27	-11/32	6.67	6.66	6.89
ECU (French Govt)		8.000	04/03	106.1600	+0.110	7.19	7.08	7.52

London closing, *denotes New York morning session. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

CME expands pit as trading soars

By Laurie Morse

THE CHICAGO Mercantile Exchange is celebrating record trading volume as it opens its second trading floor, making this the fourth time in two decades that the futures exchange has had to expand to accommodate new business.

Nearly 74m futures and futures options contracts changed hands at the exchange between January and June, and if this sort of pace can be maintained the exchange will finish with a record year.

The CME still ranks second in outright futures trading volume to its neighbour, the Chicago Board of Trade but because of its vast Eurodollar contracts, it is the world's largest exchange in terms of underlying notional value of contracts traded.

Last year the CME traded $85,000bn. The London International Financial Futures Exchange traded $27,000bn while tha CBOT had turnover valued at $13,000bn. This compares with $2,000bn in notional value of stocks traded at the New York Stock Exchange last year.

Ths CME, unlike some of its competitors, has planned for this expansion in business, building and mothballing a second trading floor when it built in 1982 its existing Wacker Drive office towers in Chicago's financial district.

The new 30,000 sq ft space sits one level above the existing trading floor, and brings trading room at the exchange to 70,000 sq ft. The $27m outfitting of the floor was completed last month and currency futures traders moved in last weekend. Eurodollar futures and options will open on the floor on July 26.

Like the world's other big futures exchanges, the CME's products are growing in tandem with the off-exchange swaps and derivatives markets in a general movement toward financial risk management. This growth belies predictions that open outcry trading would fade as electronic transactions became fashionable.

Mr Jack Sandner, CME chairman, says the expansion will allow product innovation held back for lack of space. The CME plans to extend its rolling spot foreign exchange futures to D-Marks soon.

The old trading floor will remain home to the CME's agricultural products and its expanding menu of stock index contracts. While action in the exchange's meat and livestock sector is lacklustre, equity derivatives volume is growing.

The CME has the benchmark S&P 500 stock index contract, and four less successful indices, including futures on the FTSE-100 and the Nikkei 225. Later this year it expects to add Major Market Index futures to that list.

HK removes transaction levy on share dealing

THE HONG KONG government has moved to reduce the costs of dealing in exchange-traded securities by formally proposing that a special transaction levy be scrapped, AP-DJ reports from Hong Kong.

Mr Michael Cartland, secretary for financial services, said removal of the 0.03 per cent tax on share trades, which was imposed following the collapse of the futures market in 1987, would be the final step in clearing up the last outstanding issue related to the stock market crash.

According to the government, some HK$256m remains outstanding from the original HK$1.93bn lifeboat loan that bailed out the futures market.

Last month, the Securities & Futures Commission, Hong Kong's stock market regulator, said it would seek to have the levy removed because the loan had been almost completely repaid. It said it did not want to create a surplus.

The government said that strong turnover in the stock market would have pushed the surplus to HK$100m or HK$200m by the end of this year if the special levy were not to be repealed.

Benetton launches L200bn deal with 'knock-out warrants'

By Sara Webb

THE INTERNATIONAL bond market saw plenty of activity yesterday as borrowers – consisting mainly of corporate names – launched an assortment of equity-linked and straight bond issues.

Benetton, Italy's best-known maker of casual clothes, issued L200bn of Eurobonds with "knock-out warrants" through its Dutch subsidiary, Benetton International NV.

The money raised will be used mainly to refinance maturing medium-term debt and outstanding short-term debt.

Benetton is following in the footsteps of Rocha Holdings, the US financing arm of the Swiss drugs group, which did a $1bn issue in March with knock-out warrants.

The deal is intended to "offer participation in the upside potential of the Benetton share whilst affording conditional protection against downside movement, at a discount of approximately 3-5 per cent to the share price", according to Swiss Bank Corporation, the lead manager of the issue.

INTERNATIONAL BONDS

The bonds have a five-year maturity and a coupon in the range of 4.5 to 5.0 per cent. Each principal amount of L5m of bonds has between 57 and 65 knock-out warrants attached, with each warrant corresponding to one ordinary Benetton share.

Several Japanese borrowers tapped the market using convertible bonds and bonds with warrants yesterday.

However, dealers stressed that the timing of these issues had been arranged several weeks in advance and were "not opportunistic" in terms of the underlying market conditions.

Elsewhere, Asea Brown Boveri International Finance, part of the European power engineering group, tapped the Eurolira sector with a 10-year L250bn deal.

The bonds have a 10 per cent coupon, reversing a recent trend away from double-digit coupons in this particular sector.

ABB has a credit rating of AA/AA2, but in recent days some triple-A names have come to the Eurolira market with coupons of 9.5 to 9.75 per cent.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Crédit Lyonnais‡	1bn	(a)	99.65R	Jul.1998	0.225R	-	C.Lyonnais/G.Sachs/Lehman
Japan Airlines Co.	250	6.625	99.315R	Jul.2003	0.45R	+63 (6⅛%-03)	CSFB
Republic of Argentina	150	(b)#	(b)R	Aug.1996	0.875R	(b) (4⅛%-96)	Chase/ Lehman Brothers
Republic of Argentina	100	(c)#	(c)R	Aug.2000	1R	(c) (5⅛%-00)	Chase/ Lehman Brothers
Mitsubishi Oil Co.(d)§	200	1.375	100	Jul.1997	2.25	-	Nikko Europe
State Bk.of New Sth.Wales(e)‡	152.12	(e)	98.1R	Feb.2003	0.525R	-	Morgan Stanley Intl.
Grupo IRSA	100	(f)#	(f)R	Jul.1998	0.875R	(f) (5⅛%-98)	Goldman Sachs Intl.
FRENCH FRANCS							
Renault	1.5bn	7.25	99.296R	Aug.2002	0.375R	+65 (8⅛%-02)	Société Générale
YEN							
Mitsubishi Oil Co.(g)§	30bn	(h)	100	Sep.2000	2.5	-	Yamaichi Intl.(Europe)
Hankyu Dept. Stores(h)§	18bn	(h)#	100	Sep.2000	2.5	-	Daiwa Europe
Takara Standard Co.(i)§	10bn	1.625	100	Mar.1998	2.5	-	Nikko Europe
ITALIAN LIRA							
ABB Intl. Finance, Neths.	250	10	101.25	Aug.2003	2	-	San Paolo, Turin
Benetton Intl. Neths.(j)§	200	(j)	100	Jul.1998	2.25	-	Swiss Bank Corp.
GUILDERS							
Fokker(k)§	334	(k)	100	Jul.1999	3	-	MeesPierson/ UBS
INVG	200	6.25	99.9R	Aug.1998	0.25R	+22.5(6¾%-98)	ING Bank
SWISS FRANCS							
IADB	500	4.75	101.75	Aug.2003	-	-	Crédit Suisse
Aiola Co.(l)#§	60	1.375#	100	Sep.1997	1.625	-	Nikko Bank (Swiss)

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. #Private placement. §Convertible. ‡With equity warrants. ‡Floating rate note. R: fixed re-offer price; fees are shown at the re-offer level. [illegible]

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6:55 pm on July 7

[illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. [illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	3	36	10
Other Fixed Interest	0	0	10
Commercial, Industrial	213	330	865
Financial & Property	93	172	533
Oil & Gas	11	27	46
Plantations	1	3	8
Mines	64	17	56
Others	41	49	50
Totals	427	638	1,604

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

TRADITIONAL OPTIONS

First Dealings June 28; Last Dealings July 9; Last Declarations Sept. 30; For settlement Oct. 11. Calls: Abroad, Sun Oil Wts., Surrey Grp., Tullow Oil and Wiltshire. Puts: Drie-fontien, Owners Abroad and Tiphook. Puts & Calls: P & P & Harstone, Millwall, Owners Abroad, Gee Intl, Greenwich Res., Verdon.

FT-SE ACTUARIES INDICES

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LIFFE EQUITY OPTIONS

[illegible]

FT-ACTUARIES FIXED INTEREST INDICES

[illegible]

COMPANY NEWS: UK

CrestaCare to raise £33m for nursing homes

By Maggie Urry

CRESTACARE is raising £33.3m through a placing to finance acquisitions in its core nursing homes business. The group, where Mr Andrew Taee was appointed chief executive in March, also announced yesterday the sale of some of its non-cora properties and the appointment of a new chairman.

Mr Brian O'Connor is retiring as chairman, having, Mr Taee said, been the architect of CrestaCare's new strategy. Mr Graeme Hart, deputy chairman, is stepping up.

The placing and two acquisitions announced yesterday, totalling £15.1m, are subject to approval at a special meeting of shareholders on July 30. The placing is at 40p and the shares rose 2p to close at 45p yesterday.

Mr Taee said further acquisitions were under negotiation but that shareholders would not be asked to put up more new eqmity.

CrestaCare said that since the introduction of the Care in the Community Act in April it had held occupancy rates above 90 per cent. Downward pressure on fee rates was offset by an increasing proportion of privately funded residents.

Yesterday's acquisitions are of two businesses, each operating four nursing homes. Together they have 515 beds and made an operating profit of £2.57m in the year to end-March. CrestaCare is paying £14.1m in cash and the balance through the issue of 2.375m shares.

The vendors in both cases will continue to develop new homes for CrestaCare to its specifications. It will only take these homes on to its balance sheet when they are fully built and reach a certain occupancy level.

As well as the shares issued to tbe vendora, tbe placing involves 83.23m shares, with investors able to clawback shares on a 1-for-1 basis. It will raise £31.6m net of expenses.

Directors are taking up their entitlement under the placing. As well as doubling his stake of 333,000 shares, Mr Hart is acting as a placee for a further 2m shares.

Of tha placing proceeds, £7m will go to buying four homes whicb CrestaCare currently leases. Three are leased from Grosvenor House Group in which Mr Taee has a 10 per cent stake. Mr Taee said that after tbe placing net debt would be about £8m.

In its last accounts CrestaCare had properties for sale with written down values of £9.4m. All but £2.8m of these have been sold, although there has been a £1m loss on the sales.

Wills Group share holdings realigned

A REALIGNMENT of shareholdings at Wills Group, which distributes high specification fluid handling equipment, coincided with the signing of exclusive distribution agreements with three companies in the former Sigma Group, recently privatised by the Czech government.

Stockbrokers Greig Middleton have placed 24.7m shares in Wills with its management and institutions. More than 21m were sold by Galactic Enterprises and the balance represented the rump of the holdings of the banks which assisted in the 1991 restructuring of Wills.

In addition, Galactic's holding of 4.1m warrants has been bought by a family trust of Mr David Massie, Wills' chairman.

Sigma's products will expand significantly Wills' range of fluid handling and instrumentation devices.

Warning sends AAF shares down 66p

SHARES in AAF Industries plnnged 66p to 125p as the modular bnildings and allny wheels group announced that the results for the six months to June 30 would be "significantly below those of last year".

Then, pre-tax prnfits increased slightly from £2.22m to £2.26m.

The warning comes just two months after the grnup made a £7.65m rights issue.

The company said that the hnsiness of Alloy Wheels International looked "in line with the management plan" at the time of tbe rigbts witb deliveries for a "significant volume of wheels for a major US automotive manufacturer" dne to start on October 1.

However, the problems lay in the system bnilding side. Here, margins have "remained at very low levels" with competition furtber intensifying. The company said that "substantial redundancies" had been necessary and further rationalisation was being examined.

Moreover, the company admitted that the review of all operations – and tbe internal controls – at the Blackburn slte had been "inadeqnate" and that unprofitahle contracts had been undertaken as a result.

In the US, Preferred Medical Enterprises, a specialist modular building operation, bad been closed – incurring losses of about £1.4m – as recession and redoced medical and military expenditure resulted in lower demand for new medical facilities.

In an attempt to beef np the management team, Mr Alex Brown, of W&A Investment Corporation, the Sonth African consumer and industrial group wbose stake in AAF was dilnted to 43.1 per cent by tbe rights, has become chief operating officer.

AAF is dne to report its interim results in early September when further information on the review curreotly under way will be made available. The directors "remain confident in the prospects of the group".

With competition hotting up analysts remain sceptical about formula for change

Dixons counts the cost of Silo closures

By Neil Buckley

THE REPUTATION of the US as the graveyard for UK retailers' ambitions looks set to continue after Dixons' announcement yesterday of increasing losses and higher-than-expected closure provisions at Silo, its US offshoot.

When Dixons acquired Philadelphia-based Silo in 1987 for $320m (then ahout £200m) it was one of four rapidly-growing "power retailers", specialist superstore chains which wera making substantial inroads into a $40bn electrical goods market long dominated by independent traders and department stores.

However, the US then went into recession and Silo, which had over-expanded, found itself unable to compete with powerful rivals sucb as Circuit City and Best Buy.

Silo's losses increased this year from £16.9m to £22.4m, and Dixons' group pre-tax profits were further depressed by £36.2m of exceptional costs for closing 56 Silo stores.

One analyst, otherwise positive about Dixons' prospects, recently parodied the poet Sir John Betjeman, urging "Come friendly bombs and fall on Silo."

Dixons has been struggling hard to inject its own skills in buying, systems, management and customer service into the chain, but has little to show for its efforts.

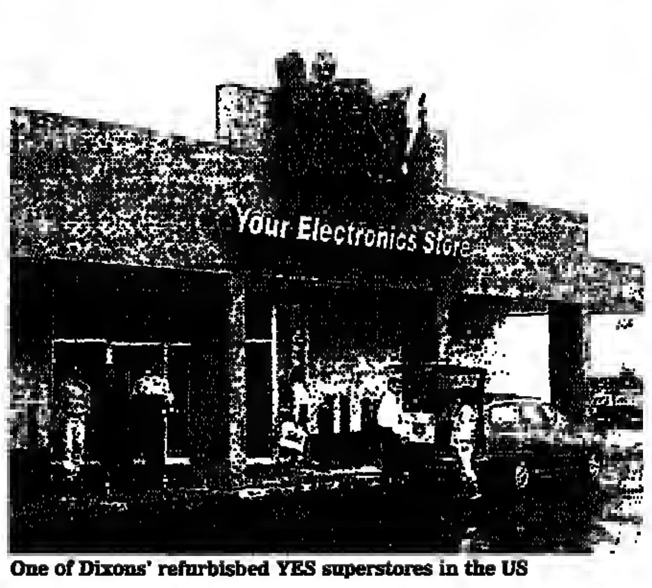
It did, however, claim many markets showed an improvement in sales last year, with the overall results being dragged down by falls in sales in its largest markets, especially California.

In the past year it has taken more aggressive steps. In February, it replaced Mr Robert Sirkis, Silo's American president, with Mr Peter Morris, previously Dixons' group property director.

That move came only weeks after Dixons announced tbe closure of 45 stores – nearly a fifth of the total – in Illinois, Tennessee, Indiana, Kansas, Missouri, Kentucky and Oklaboma. They accounted for 37 per cent of Silo's markets but only 11 per cent of sales.

It has since closed a further five stores, and 11 more will go in the coming year.

The recovery plan now has three main elements. One is revamping existing stores, doubling the space given to the computer/home office departments. In-store product service departments are being added to many stores, as are car radio and alarm fitting bays.



One of Dixons' refurbished YES superstores in the US

The second element is closing many of the smaller, poorly-located stores, and replacing them with new superstores, of between 20,000 and 30,000 sq ft, paralleling what Dixons is doing successfully with its Currys chain in the UK.

That would mean the chain gradually shrinking from its current 165 stores.

Thirdly, Silo is experimenting with new formats to form the basis of that superstore expansion.

Four stores in Rochester, New York State, have been refurbished and renamed YES – Your Electronics Store.

As the name suggests, the stores concentrate heavily on electronics, and white goods have been dropped. New brands have been added to Silo's usual range to add "authority".

Silo is experimenting with a second store revamp formula in Chicago, although the name has not been changed, and white goods are retained.

Dixons said it wants to give the reforms at least until early next year before assessing their success. But analysts remain sceptical about Dixons' chances, especially with competition increasing in its biggest California and Chicago markets.

Mr John Clare, managing director, said underlying improvements so far have convinced Dixons that it can turn Silo around "over time".

"But we well understand that we cannot continue as a company to see a situation where Silo makes significant losses year after year."

Mr Nick Bubb, retail analyst at Morgan Stanley, estimates the cost of closing Silo at a prohibitive £150m. But if there are no signs of improvement before the half-year results in January, he suggests "major surgery" may be necessary.

Dixons, be said, may eventually have no alternative but to make a "slow, miserable retreat".

See Lex

IN BRIEF

ALCO STANDARD Corporation has received acceptances in regard to the offer from Alco Office Products (UK) for Erskine House Group of not less than nine-tenths of the value of the latter's shares. The offers remain open until August 19 and outstanding shares are to be acquired compulsorily.

BARCOM GROUP subsidiary, Dudley Vale (Piling Plant Hire), has purchased the business and assets of ICE Construction Equipment (UK), free of debt, for £1.15m.

BRADSTOCK GROUP has acquired a further 75,738 ordinary shares (7.57 per cent) in its Bradstock, Blunt & Crawley (Aviation) subsidiary for £1.5m in cash and shares. For the year to September 1 1992 BBCA returned pre-tax profits of £3.2m. Also Bradstock announced that Kuwait Investment Office had sold its 12.23 per cent stake in the company.

BRIDON ROPES has won a £5m contract to supply specialised high carbon steel wire to Hitachi Cable over an initial 2½ year period.

ENGLISH & Overseas Properties, through its new subsidiary English & Overseas Investments, is to acquire three freehold warehouse investments. The consideration of £1.78m has been satisfied partly by the issue of 150,000 shares in the subsidiary at 30p each. The properties are in Leigh, Greater Manchester, King's Lynn, Norfolk and Gateshead, Tyne and Wear.

OLIVER RESOURCES: Applications for the 166.2m shares made available under the open offer have been received in respect of 13.6m shares (16.8 per cent). Of the balance 84.1m shares have been placed at the open offer price of 2.25p, resulting in the raising of some £2.5m.

OLIVES HOLDINGS: Following sales by Kent Holdings, a company in which Mr Michael Kent, a non-executive director of Olives, is deemed to have a beneficial interest, and in which Mr Gerald Jiggins, a non-executive director of Olives, is deemed to have a non-beneficial interest, it has an interest in 3.87m shares, or 22.64 per cent of the issued capital.

SLEEPY KIDS' rights issue was taken up in respect of 2.65m shares, or 35.4 per cent.

WESTMINSTER SCAFFOLDING has placed 188,334 new units at 120p each – 110,000 units have been placed with NCL Nominees with the balance of 8,334 having been placed with Mr B Collins, both of whom are existing shareholders, stockholders and warrantholders.

£79m buy puts Sidlaw in packaging big time

By Peggy Hollinger

SIDLAW, the Scottish oil services group, is to become one of Europe's leading flexible packaging companies with the £79m purchase of a business from Courtaulds, the chemical materials group.

The acquisition of Courtaulds Flexible Packaging, with 11 operations in four countries, marks Sidlaw's first significant move overseas and will more than double group turnover.

The purchase will be funded partly by a £53m rights issue, on a 4-for-7 basis at 275p, pushing Sidlaw's market value from £108m to about £180m on yesterday's share price of 323p, down 17p.

The balance will be funded by debt, increasing gearing from 38 per cent at the end of March to 62 per cent.

A dividend is forecast of not less than 10.5p for the year to the end of September, against 10p last year.

Mr Digby Morrow, chief executive, said the purchase was "about market positioning and long-term opportunity."

Once combined with Sidlaw's existing packaging operations, the group would rank in the top five European flexible packaging companies by sales, he said. The total market was estimated to be worth about £2bn annually.

The new business would bring several benefits, including a strong management team and a pan-European presence in the snacks, biscuits and confectionery markets. This would complement Sidlaw's packaging operations serving the frozen and processed food sectors.

The acquisition was expected to have a neutral effect on earnings in its first full year, but would be enhancing afterwards.

Courtaulds said yesterday that the disposal formed part of a strategy to focus on worldwide corporate development, which was unsuited to the European focused flexible packaging businesses.

Mr Michael Pragnell, Courtaulds' finance director, said the disposal would leave the group with a £12m exceptional gain in the current year.

Courtaulds Flexible Packaging made £6.1m profits from continuing businesses on £108m sales in the year to March 31.

Sidlaw reported pre-tax profits of £4.6m on sales of £71.5m for the six months to March 31.

The rights issue is underwritten by Morgan Grenfell.

● COMMENT

Sidlaw, until now known for small niche acquisitions, yesterday thrust itself into the limelight with uncharacteristic vigour. The deal certainly appears to be tax efficient, with benefits in Spain, the Netherlands and at home. The rise in gearing is expected to come down shortly, while there also seem to be respectable cost savings to be made. However, there remains the simple fact that this is bigger than anything Sidlaw has attempted to date. Furthermore, it exposes Sidlaw to the vagaries of the continental European market, where many other UK companies have stumbled. Sidlaw's track record on acquisitions offers a certain degree of comfort, although this one may take slightly longer to settle in. Pre-tax profits this year are forecast at £11.3m, leaving the shares on a prospective p/e of 14.6. On a medium to longer-term view the purchase makes sense and the rights appear worth taking up.

Tony Andrews

Digby Morrow: purchase about market position and opportunity

Bank of Ireland seeks I£100m to buy US stock

By John Gapper, Banking Correspondent

BANK OF Ireland yesterday announced an I£100m (£94m) rights issue to allow it to repurchase $125m (£83.3m) of US preference stock, which was becoming expensive to fund, while strengthening its equity base.

The 1-for-6 rights issue at 150p per share was the first among London-listed banks this year, despite speculation before the announcement of the full-year results in May that others would be forced to bolster their capital.

The announcement caused some weakness in the share price of Allied Irish Banks, the other main Irish clearing bank, but analysts said there was a clear reason for Bank of Ireland's move, and it was unlikely to be followed by others.

The rights issue was disclosed by Mr Howard Kilroy, chairman, at the bank's annual meeting.

Mr Kilroy also said that Bank of Ireland First Holdings, the US subsidiary, which reported a $2.7m deficit in the first quarter, would incur a similar loss in the second period.

The bank estimated that the issue of 67m ordinary shares would dilute earnings per share by about 0.6p, but that it would save about I£7m per year in the cost of paying interest on the two tranches of US preference shares.

It intends to retire $75m adjustable rate preference stock, and $50m preferred stock held by the US Federal Deposit Insurance Corporation. This would cost I£85m, and the remaining equity would strengthen its capital base.

Mr Paul D'Alton, chief financial officer, said the rights issue had been prompted by the high cost of carrying the US preference stock, and the fact that the bank's share price had been performing well in the past few months.

"There is an opportune set of circumstances, and we believe that we can put the proceeds to good use," he said.

Mr D'Alton emphasised that the bank intended to use the new equity in "a sensible and responsible" manner to strengthen itself.

The bank estimated that its tier 1 ratio of core capital to risk-weighted assets would rise to 7.3 per cent, from 6.6 per cent at the March 31 year-end.

Its equity to assets ratio would rise from 4.2 per cent to 4.8 per cent.

The bank said it intended to maintain the dividend at 9.83p on the enlarged capital.

It said this represented a 6.5 per cent increase, taking into account the scrip element of the rights issue.

● COMMENT

Bank of Ireland's share price only slipped 9p to 241p as the market absorbed the relatively clear logic of a modest rights issue. There seems slim danger of the bank using its equity to expand assets recklessly when most of it is already earmarked to retire US preference shares with a high and rising cost. The vexing aspect for other banks is the light it sheds on weak ratios of equity to assets elsewhere. After an interlude in which several have propped up capital ratios by issuing preference shares, Bank of Ireland's move shows that the thirst for equity may not be postponed indefinitely.

Field shares end first day up at 279p

FIELD GROUP, the folding carton packaging maker, saw its shares jump to 279p by the close of the first day of dealings, writes Maggie Urry.

The shares were priced at 250p in the flotation, which valued the group at £148.8m. They touched a high of 288p yesterday as 13.2m shares were traded.

The public offer of 12.1m shares was subscribed 7.4 times, and a ballot was used to decide allocations for smaller applications.

In the offer Mr Keith Gilchrist, chief executive, bought an extra 2,000 shares, taking his stake to 477,000 shares. Mr Ken McDonald, director in charge of Field's Portsmouth factory, bought 1,250 shares to give him a total of 356,250 shares.

MCC administration plan approved

Maxwell Communication Corporation administration and Chapter 11 process has advanced with the overwhelming approval by creditors of the Scheme of Arrangement in the UK and the Plan of Reorganization in the US.

Both scheme and plan now need court approval in both countries.

Court Cavendish offer allotments

In the offer of Court Cavendish shares – 2.2 times subscribed – the distribution was: a full allocation for an application for 100 or 200 shares; 250 for 300 or 400; 300 for 500; 50 per cent of the number applied for between 600 and 900; 45 per cent for 1,000 to 3,000; 40 per cent for 3,500 to 7,000; 2,800 for 8,000; 3,000 for 9,000; 30 per cent for 10,000 to 50,000; 25 per cent for 60,000 to 90,000; and 25,000 For 100,000 or more.

Select Appointments seeks £9m

Select Appointments is seeking to raise about £9m through an open offer of 9m cumulative redeemable preference shares. The offer is on the basis of 100 preference for every 2,390 ordinary.

The proceeds will be used to repay about £7.24m of the debt owed to Waverley, which is underwriting the offer. Under the refinancing announced in September 1991 Waverley has made a number of advances and at June 30 1993 was owed a total of £11.6m.

Second HGSC Index raises £25m

The Second HGSC Index Investment Trust raised £25.1m in a placing and open offer. Some 20.1m shares were the subject of a prior undertaking to subscribe.

Dealings are expected to start today.

Acquisition helps Bespak to £11.5m and shares jump 58p

By Catherine Milton

SHARES IN Bespak jumped 58p to 520p as the medical valve and component maker reported a rise in pre-tax profits from £6.92m to £11.5m in the year to end-April.

The outcome reflected a first full-year contribution from US-based Tenax Corporation, which moulds plastic medical components and was bought from private owners for £33.1m in March 1992.

The US company contributed about £4.8m to operating profits of £11.3m (£6.79m).

Group turnover, including the acquisition, improved to £61.8m (£38.8m) and operating margins from 17.5 to 18.3 per cent.

Mr Bob King, chairman and chief executive, said sales of pharmaceutical valves were slow in the first six months due to significant customer de-stocking, but overall sales of pharmaceutical products had risen 16 per cent during the year.

Sales of devices for laparoscopy (keyhole surgery) improved on the previous year, but increased competition and de-stocking caused a fall in business towards the end of the year.

He said sales from Tenax and Bespak's rest-of-world operations grew at more than 10 per cent: "Despite recent concerns about the healthcare market, there is a growing need in all developed health-care markets for medical devices and systems that will safely dispense powerful drugs."

Interest receivable rose to £199,000 (£134,000).

A proposed final dividend of 6p makes a 10p (9p) total. Earnings per share rose to 31.9p (24.8p).

● COMMENT

Bespak is good at safely delivering drugs to patients. Now it is working on delivering profits to shareholders after analysts downgraded forecasts in April and the shares fell sharply. Yesterday's share price jump signalled returning confidence in the company's fundamental strengths. Its products have secure market niches and it has taken steps to broaden its once narrow customer base. Sales to Glaxo are now under 25 per cent of total turnover compared with more than 70 per cent a few years back. However, demand is changing as patents expire on the drugs its devices deliver and generic suppliers invade the market. Even so, Bespak products might be used by the new drug suppliers. Meanwhile, continued demand for its main products – drug valves for asthmatics and components for laparoscopy – is virtually assured. On a prospective p/e of 13.8 the shares look cheap compared to previous highs of 15 or 16 which the market expects to see again.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- Dewhurst, Hewitt, Microgen.

Finals- Assoc British Engineering, Banner Homes, Britan Bloodstock, Burtonwood Brewery, Darby, Equity Consort Inv Trust, Gibbon Lyons, Gold Greenlees Trott, Greene King, Peel, Stewart & Wight.

FUTURE DATES

Interims-	
Alexanders Hldgs	Jul. 16
Holders Technology	Jul. 22
Inv Tst of Guernsey	Aug. 6
Jacobs (John I)	Aug. 5
St Andrew Trust	Jul. 20
Sphere Inv Trust	Jul. 20
Throgmorton Trust	Jul. 22
Finals-	
Adam & Harvey	Jul. 13
Armitage Brothers	Jul. 14
Govett American	Jul. 21
Helical	Jul. 13
Vernon Inv	Jul. 15

Sharelink Investment raising £5m to pay preference and debt

By Roland Rudd

SHARELINK Investment Services, the telephone-based stockbroker which is floating on the Stock Exchange at the end of this month, is raising almost £5m of new money to pay off £3.6m redeemable preference shares and £1.2m of borrowings.

The information is contained in the pathfinder prospectus published yesterday. The group will be valued at more than £30m.

Mr David Jones, chief executive, said he wanted an ungeared balance sheet to enable him to invest in new services.

Sharelink, which currently specialises in equities and traded options, is looking at expanding into insurance and banking.

The annual remuneration for Mr Jones and Mr Kenneth Bull, finance director, is £125,000 and £80,000 respectively. Both directors are eligible for bonuses which last year came to £5,350 and £1,750 respectively.

Sharelink's two biggest shareholders, Foreign Colonial Ventures and the British Coal pension fund, both of which have a 32 per cent stake, are expected to sell about half their shareholdings.

Mr Jones, who started the business in 1987, is expected to sell a quarter of his 20 per cent holding, making him a millionaire just six years after he invested £4,000 in the business.

He increased his holding after a management buy-out from the original institutional backers, BT and Albert E Sharp, the Birmingham-based stockbroker.

Nationwide director paid £250,000 compensation

By John Gapper

MR JOHN Hutchinson, whose contract as Nationwide Building Society's corporate strategy director was terminated last December, was paid £250,000 compensation for his loss of office, the society disclosed yesterday.

Mr Hutchinson, who was appointed as Visa International's UK managing director in April, was given the sum in compensation after the society decided that it should concentrate on cutting costs and overheads in traditional operations.

The society also disclosed that the total compensation of Mr Tim Melville-Ross, its chief executive and highest paid director, fell to £215,000 in the year to April 4, against the £230,000 Mr Melville-Ross received the previous year.

The performance-related bonus paid to Mr Melville-Ross fell to £13,000 against £23,750. The bonus was calculated on several measures of performance including customer service performance in the previous financial year.

The total annual bonus paid to executive directors of the society, which is the second largest by asset size after the Halifax, fell to £29,000 (£76,000), while the directors' total annual salary fell to £562,000 (£608,000).

Maddox auditors express doubt about sale proceeds

DOUBT HAS been cast on the value of £15.1m in bonds received by Maddox Group, the computer maintenance company, when it sold two cable businesses earlier this year.

Ernst & Young, the company's auditors, said there was a "fundamental uncertainty" over being able to recover the £15.1m in full.

However, Mr Hugo Biermann, Maddox chairman, was confident of converting £2m of bonds into equity each year after the cable companies are floated in New York later this year.

The auditors added that a £680,000 paper profit from the sale be included in the accounts as deferred income. Mr Biermann hoped the amount would be written back into the p&l account once it was established that there were no problems with the business.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Bespak	fin	6	Oct 6	5.5	10	9
Budgens	fin	1	Sept 27	nil	1	nil
Dixons	fin	4.6	Oct 1	4.4	6.2	6
EFM Japan Trust	fin	0.4	-	-	0.4	-
Fleming Int High	fin	2.5675	Sept 10	2.5675	3.5675	3.5675
Hadleigh Inds §	fin	0.5	Oct 1	nil	0.5	1.25
Hollas	fin	0.8	Oct 1	0.6	1.2	1.2
Joseph (Leopold)	fin	13.5	Sept 3	12.75	18.6	15.85
Morris Ashby	fin	6.7	Oct 1	3	5.4	4.7
St David's Tst	int	3☆	Sept 30	3	-	14.5
Taunton Cider	fin	6.6	-	-	6	-
Tops Estates	fin	1.5225	Oct 29	1.45	2.1	2
Vardy (Reg)	fin	2.9	Oct 1	2.7	4.2	4

Dividends shown pence per share net except where otherwise stated. §USM stock. ☆ Third interim; makes 9p to date.

PUBLIC WORKS LOAN BOARD RATES

Effective July 6

Years	Quota loans* A†	B‡	At maturity§
1			[illegible]
Over 1 up to 2	[illegible]	[illegible]	[illegible]
Over 2 up to 3	[illegible]	[illegible]	[illegible]
Over 3 up to 4	[illegible]	[illegible]	7
Over 4 up to 5	[illegible]	[illegible]	[illegible]
Over 5 up to 6	[illegible]	[illegible]	[illegible]
Over 6 up to 7	[illegible]	7	[illegible]
Over 7 up to 8	[illegible]	[illegible]	[illegible]
Over 8 up to 9	[illegible]	[illegible]	[illegible]
Over 9 up to 10	[illegible]	[illegible]	[illegible]
Over 10 up to 15	8	[illegible]	[illegible]
Over 15 up to 25	[illegible]	[illegible]	9
Over 25	[illegible]	9	9

*Non-quota loans A are 1 per cent higher and non-quota loans B 2 per cent higher in each case than quota loans. †Equal instalments of principal. ‡Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). §With half-yearly payments of interest only.

COMPANY NEWS: UK

Taunton Cider over £17m on UK growth

By Paul Taylor

STRONG GROWTH in the UK cider market helped Taunton Cider to a pre-tax profit of £17.6m for the year ended May 1 1993. The group was floated on the Stock Exchange a year ago.

The outcome compared with £6.58m, and reflected a strong operating performance, positive cash flow and the reduction in interest costs following the flotation. Net interest charges fell to £2.1m (£11.3m).

Earnings per share increased to 12.2p (8.1p) and a final dividend of 3.6p makes a total of 6p.

Commenting on the results, Mr Michael Cottrell, chairman, said: "The benefits of our commitment to marketing are particularly evident at the present time when most drink categories, other than cider, are in decline."

Turnover from continuing operations rose 19 per cent to £124.9m, from £105.3m previously when discontinued operations generated an additional £4.09m. The bulk of the increase came from volume gains in line with the overall UK cider market which grew by 12 per cent to 85m gallons last year.

Taunton's share of the fast-growing packaged sector continued to increase, mainly as a result of the strong performance of its premium brands, including Diamond White and the Brody brand which was launched last year. In contrast, its share of the more mature draught cider market, which is growing by about 5 per cent a year, slipped slightly. Volume sales of Dry Blackthorn draught rose by 3 per cent last year.

Michael Cottrell (left) and Peter Adams: UK cider market up 12%

Operating profits from continuing activities increased by 18 per cent to £19.7m (£16.7m), buoyed by the growth of the higher margin premium brands.

Despite capital investment of more than £8m the group eliminated the borrowings that remained after the flotation and ended the year with a net cash balance of £2.2m.

Mr Peter Adams, chief executive, said the group was discussing the possibility of marketing and distributing foreign premium beers in the UK, and was also investigating the possibility of selling its premium cider brands overseas, particularly in the US.

COMMENT

Taunton is well positioned to take advantage of the growing popularity of cider in the UK, and to exploit new opportunities overseas. It already has a 33 per cent share of the overall domestic market, has captured 57 per cent of the high-margin premium cider segment and has spare capacity. As well as launching new premium brands the group is now turning its attention to arresting the decline in its share of the more mature draught cider market. Volume growth is likely to be somewhat more subdued this year – Taunton is predicting about a 5 per cent gain. However, pre-tax profits should expand to approximately £21.5m, producing earnings of about 13.4p per share and a prospective multiple of 16.4.

MEPC's £222m cash call 97% taken up

By Vanessa Houlder, Property Correspondent

SHAREHOLDERS of MEPC, the UK's second largest property company, have taken up 97 per cent of the £221.9m rights issue announced last month.

MEPC said that the rate of take-up was the highest achieved by a large property company this year. It demonstrated shareholders continued support for MEPC and its policies, said Mr James Tuckey, managing director.

The group plans to use the new funds to accelerate its refurbishment and redevelopment programme and to expand its portfolio by selective property and corporate acquisitions. Over the medium term, it wants a gradual increase in the retail content of its portfolio and a reduction in its exposure to central London offices.

Unigate withdraws from UK exhibitions

Unigate is selling Marler Haley ExpoSystems, the exhibition and display equipment company, to its management for an undisclosed sum.

Marler had sales of £11m in the year to March 31 1993.

The sale, which completes Unigate's withdrawal from the UK exhibition market, is part of the move to focus on its core food and distribution businesses.

Quadramatic price set at 123p

By Andrew Bolger

SHARES IN Quadramatic were yesterday priced at 123p, putting a flotation value of £36.4m on the coin-handling and optical group.

Based on pro-forma forecasts for the year to September, the shares are on a prospective multiple of 13.5 and offer a notional dividend yield of 4.6 per cent.

The placing and intermediates offer, with Granville Davies as broker, will raise about £20m to pay off debt. No existing shareholders are selling shares, and 25 per cent of the shares on offer will go to retail investors.

Quadramatic is backed by Mr Tony Gartland and Mr Jeff Whalley, two deal makers who during the eighties expanded FKI, the electrical engineering group.

The company currently comprises Coin Controls International, an Oldham-based maker of coin-handling equipment, and Combined Optical Industries, a Slough-based company which moulds plastic optical products. It plans to grow by acquiring high-margin engineering companies, with a broader spread of products and markets.

Mr Gartland, chairman, said the offer had been comfortably subscribed, but admitted that the shares had been priced a little more keenly than he had hoped for. He said: "The traffic is quite congested out there in the fund-raising market for small companies. It makes some of the institutions quite picky."

Quadramatic predicts it will make pro-forma profits of at least £4.4m in the 12 months to September.

Mr Gartland hopes to make an acquisition in the first year which would boost profits by 50 per cent. That, combined with organic growth, would increase earnings by 20 per cent.

Applications for the shares will close on July 14 and dealings start on July 20.

COMMENT

Like General MacArthur, Mr Gartland has told City institutions: "I shall return." The group plans to expand and does not want to incur significant gearing, so further share issues are on the cards. This enthusiasm for acquisition explains the coolness of some institutions, but the group has specified its areas of interest and had no real difficulty in finding sufficient support. The core businesses are in high quality niches with good management, and the Oldham factory has sufficient spare capacity to offer a rapid pay back on the right acquisitions. The limited scope of the retail offer might help push the shares to an initial premium, but the long-term performance of the shares will depend on the quality of future acquisitions.

Raglan Property to consolidate shares

RAGLAN PROPERTY Trust, the property investor and developer, is proposing to consolidate its share capital in line with intentions expressed at the time of the capital restructuring announced in March.

As then indicated, the aim is to reduce the spread between the bid and offer price as a proportion of the share price.

The proposed consolidation is on the basis of 1-for-25 existing 1p shares.

A consequence will be that shareholders with fewer than 25 shares in the company will cease to be shareholders. As these represent only 0.01 per cent of the company's capital but a significant proportion of the number of shareholders, Raglan expects to make net savings in ongoing administration costs.

There will be a scrip issue of warrants to subscribe for new shares on the basis of one warrant for every 10 new shares held. They will enable the holder to subscribe for new shares at 30p per share at any time up to December 31 1995. It is expected that trading in the new shares and warrants will begin on August 2.

Following the warrants issue and assuming full exercise, Landswell Holdings, Century City International, Mr Keith Holman and Mr Alan Fosler, deemed to be acting in concert, will hold about 11.1m new shares, representing 33.6 per cent of the enlarged issued capital.

An extraordinary meeting on April 15 agreed to waive any requirement that any member of the concert party should make a general offer to shareholders.

NEWS DIGEST

Lazard trust issues prospectus

LAZARD High Income Trust, an investment trust which will buy convertible securities, has issued its prospectus, writes Philip Coggan.

It is aiming to raise up to £35m via an offer for subscription of shares at 100p each.

The trust is expected to offer an 8 per cent dividend yield, payable quarterly. It will have a fixed life of six years, a device designed to minimise the discount on which investment trust shares trade.

In addition to the share capital, the trust will also borrow up to £15m via a banking facility from Midland Bank. The interest payable will be 1 per cent above Midland Bank's swap rate.

Pifco pays £2.8m for subsidiary's freehold

Pifco, the electrical appliances group, has exchanged contracts for its Russell Hobbs Tower subsidiary to buy the premises which it currently rents in Wolverhampton.

Prudential Assurance will be paid £2.75m cash for the 19 acre freehold site which houses Russell Hobbs' kettle and holloware manufacturing facility.

Tops Estates suffers from interest cuts

In the year to March 31 rental income at Tops Estates, the shop property investment group, was slightly reduced to £10.6m, while pre-tax profit fell from £2.61m to £1.69m.

Mr Everard Goodman, chairman, said the moves to stimulate the economy had created a short-term burden for the group, with reductions in profitability for the period until May 1994. That reflected lower interest rates receivable upon resources raised in April 1992 and held pending portfolio acquisitions and refinancing of loans set for repayment at an effective annual cost of 12.44 per cent.

Since April an additional £800,000 per annum of rental income flow had started, arising from increases and completed developments. In the second half a further £400,000 will flow in.

Earnings per share came to 4.42p (4.79p). The final dividend is 1.5225p to make 2.1p (2p).

EFM Japan Trust net assets jump 65%

EFM Japan Trust, which was launched in July 1992 with the aim of providing long-term capital growth through investment in Japanese equities, reported a net asset value of 158p per share as at May 31.

The figure represented a rise of some 65 per cent since the trust's incorporation on June 8 1992.

Net revenue for the period amounted to £62,000, largely interest received on cash prior to investment. The trust has been fully invested since September.

Earnings per share emerged at 0.62p and a dividend of 0.4p is proposed.

43% surge for Leopold Joseph

A strong performance in core activities enabled Leopold Joseph, the merchant banking group, to expand net profit by 43 per cent in the year ended March 31 1993.

After transfer to inner reserve and tax, profit rose from £1.1m to £1.58m.

Mr Robin Herbert, chairman, said banking and treasury had particularly good years, taking advantage of increased volumes of business.

Earnings rose to 30p (20.9p). The dividend is lifted from 15.85p to 16.6p with a final of 13.5p.

Fleming Intl High asset value surges

Fleming International High Income Investment Trust ended the year to May 31 with net asset value at 42.3p, against 33p at the end of May 1992.

The final dividend of 2.5675p maintains the total at 3.5675p on earnings of 3.99p (3.53p). Available revenue increased to £4.45m (£3.94m).

Hadleigh deficit cut to £187,000

A return to profitable trading enabled Hadleigh Industries, the USM-quoted specialist supplier of transport and storage products and services, to reduce losses from £1.43m to £187,000 pre-tax for the year to April 3.

The group returned a £170,000 profit in the second half and benefited from a £224,000 reduction in full year exceptional provisions to £98,000 and a £203,000 fall in interest charges to £499,000.

Turnover slipped from £29.5m to £27.3m. However, the forward order book is "the strongest it has ever been" and the directors looked forward to a "successful year".

Losses per share were cut to 1p (11.2p). The interim dividend was omitted (1.25p) but a final of 0.5p (nil) is proposed.

Year-end gearing was reduced from 73 per cent to 44 per cent.

The share price improved by 5p to end the day at 80p.

St David's Trust assets slip

Net asset value per income share of St David's Investment Trust stood at 90.42p at May 31, against 91.28p a year earlier.

Available revenue for the half year to end-May amounted to £450,000 (£548,000), equal to earnings of 5.49p (6.62p). A third interim dividend of 3p makes 9p (same) to date.

Hollas moves ahead to £647,000

Hollas, the Cheshire-based textile, garment distributor and mail order group, raised profits from £223,000 to £647,000 pre-tax for the year to end-March.

Turnover, however, declined 23 per cent to £38.5m.

Mr Tony Lawson, chairman, said the trading performance had been badly affected throughout the year by recession and that efforts had been directed on conserving resources. As a result year-end gearing was reduced from 21 per cent to 2 per cent.

Earnings rose to 0.6p (0.2p) and the total dividend is maintained at 1.2p via a final of 0.6p.

Mediterranean Fund capital restructuring

Mediterranean Fund said yesterday that all supporting papers had now been filed with the Royal Court of Guernsey and that the restructuring of the share capital was expected to be confirmed today.

If that is received, dealings in sterling shares will begin tomorrow and the listing of dollar shares, IDRs and depositary warrants will be cancelled. Dealings in warrants will be unaffected.

Morris Ashby advances 25% and calls for £4.5m

MORRIS ASHBY, the specialised diecasting and machining group, yesterday announced a £4.53m cash call, a 25 per cent surge in pre-tax profits, and a 15 per cent increase in its dividend.

The funding involves the placing and offer of 3.5m shares at 135p each; in the market they rose 14p to 156p.

Some 55 per cent of the new shares have been placed firm; shareholders can apply for the underwritten balance of 1.53m shares on the basis of 3-for-7.

Mr Norman Gardner, chairman, said the move would facilitate the capital expenditure policy in the current five-year plan of continuing investment to enhance the group's position in the diecasting industry.

For the year ended March 31 1993 pre-tax profit was £1.5m (£1.2m) from turnover ahead 24 per cent at £19m.

Sales rises were achieved in nine of the 10 industry sectors the group served.

Mr Gardner said the current year had started well and the order book was strong.

Earnings per share worked through at 13.5p (10.7p). The recommended final dividend is 3.7p, to make 5.4p (4.7p).

PhoneLink shares rise following deal with IBM

By Alan Cane

SHARES IN PhoneLink rose 14p to 241p on news that the computing services company had signed a five-year marketing agreement with IBM's UK subsidiary.

The agreement will enable IBM to market and promote PhoneLink's Tel-Me software in the UK.

Tel-Me is software which makes it easier to extract specific information from a computer database compared with current technologies.

PhoneLink joined the USM in May, placing 8.9m shares at 155p. The IBM deal had been outlined in the prospectus. Under its terms, IBM will promote and market Tel-Me to its customers, design and build a special personal computer to be marketed as the Tel-Me terminal, and load the software on all its production PCs manufactured in the UK.

Mr Trevor Burke, PhoneLink's chief executive, said yesterday that from October selected customers would be testing the final version of Tel-Me in preparation for the commercial launch, expected to take place in the first quarter of 1994.

Ford operations behind Vardy's rise to £4.38m

REG VARDY, the multi-franchise motor dealer, increased its pre-tax profit by nearly 11 per cent, from £3.95m to £4.38m, in the year ended April 30 1993.

The main factor was a rise from £260,000 to £660,000 in the contribution from Ford operations. The specialist division, where the market saw a significant downturn, maintained its level of profitability.

There was no significant contribution from disposal of property. A sale was expected during the year.

Sales totalled £205m (£178m) and operating profit came to £5.02m (£4.78m), with acquired operations accounting for £3.21m (£9.43m) and £159,000 (£9,000) respectively.

Earnings per share were chipped to 7.1p (7.4p) and the final dividend is 2.9p for a total of 4.2p (4p).

Mr Peter Vardy, chairman, said five dealerships had been added to the group since the beginning of May, and further acquisition opportunities were being explored. There was almost £2m cash in hand.

FT-SE Actuaries Share Indices — Quarterly Valuation

	Market capitalisation as at Jun 30 1993 (£m)	% of all share index	Market capitalisation as at Mar 31 1993 (£m)	% of all share index	Market capitalisation as at Dec 31 1992* (£m)	% of all share index
FT-SE 100 †	463,000.00	72.78	455,000.00	73.6	447,000.00	75.2
FT-SE Mid 250 †	135,000.00	21.13	127,000.00	20.8	116,000.00	19.5
FT-SE Mid 250 ex Inv Trusts	121,000.00	19.06				
FT-SE-A 350 †	598,000.00	93.91	582,000.00	94.2	563,000.00	94.7
FT-SE SmallCap †	39,000.00	6.09	36,000.00	5.8	31,200.00	5.3
FT-SE SmallCap ex Inv Trusts †	32,000.00	5.08	30,000.00	4.9	26,200.00	4.4
FT-A ALL-SHARE	636,790.95	100.0	617,987.70	100.0	594,374.06	100.0
1 CAPITAL GOODS GROUP 213	92,244.73	14.49	85,886.68	13.90	77,916.77	13.11
2 Building Materials 27	15,222.08	2.39	13,655.14	2.21	12,399.66	2.09
3 Contracting, Construction 29	5,121.88	0.81	4,390.96	0.71	3,777.91	0.64
4 Electricals 15	3,014.39	0.47	2,724.00	0.44	2,506.56	0.42
5 Electronics 37	15,842.18	2.49	14,927.09	2.42	13,133.66	2.21
6 Engineering-Aerospace 7	4,585.42	0.72	3,795.55	0.61	3,251.35	0.56
7 Engineering-General 51	11,802.66	1.85	10,946.33	1.77	10,146.33	1.71
8 Metals and Metal Forming 10	5,793.29	0.60	3,642.64	0.59	3,038.28	0.51
9 Motors 15	5,798.77	0.91	5,413.87	0.88	5,023.82	0.85
10 Other Industrial 18	27,083.96	4.23	26,381.07	4.27	24,639.19	4.15
21 CONSUMER GROUP 236	214,219.48	33.64	208,810.58	33.78	219,568.43	36.94
22 Brewers and Distillers 30	35,955.50	5.65	37,228.61	6.02	39,445.11	6.64
25 Food Manufacturing 22	23,760.59	3.73	25,596.71	4.14	23,910.38	4.02
26 Food Retailing 15	23,260.76	3.65	23,655.49	3.83	24,982.25	4.20
27 Health and Household 30	48,988.03	7.69	44,680.21	7.23	54,845.13	9.23
29 Hotels & Leisure 20	14,660.06	2.30	13,831.35	2.24	13,365.57	2.25
30 Media 33	21,563.53	3.39	19,728.90	3.19	19,074.02	3.21
31 Packaging, Paper & Printing 24	8,457.36	1.33	8,045.95	1.30	7,331.89	1.23
34 Stores 39	33,756.36	5.30	32,323.72	5.23	33,112.46	5.57
35 Textiles 20	3,818.29	0.60	3,715.64	0.60	3,511.82	0.59
40 OTHER GROUPS 141	153,607.24	24.12	159,228.03	25.77	149,482.11	25.15
41 Business Services 28	10,722.97	1.69	10,385.42	1.68	9,808.76	1.65
42 Chemicals 23	14,823.37	2.33	18,787.74	3.04	17,843.89	3.00
43 Conglomerates 11	18,723.68	2.94	18,796.47	3.04	17,434.78	2.93
44 Transport 15	15,571.88	2.45	15,231.62	2.46	14,372.04	2.42
45 Electricity 15	22,124.87	3.47	21,691.15	3.51	19,689.21	3.31
46 Telephone Networks 4	39,971.91	6.28	39,630.90	6.41	37,295.37	6.27
47 Water 13	11,093.83	1.74	12,424.26	2.01	11,057.74	1.86
48 Miscellaneous 51	20,574.93	3.23	22,278.48	3.61	21,980.34	3.70
49 INDUSTRIAL GROUP 590	460,071.45	72.25	453,923.29	73.46	446,967.31	75.20
51 Oil and Gas 18	57,084.06	8.96	55,951.85	9.05	50,860.01	8.56
59 "500" SHARE INDEX 608	517,155.51	81.21	509,875.14	82.51	497,827.32	83.76
61 FINANCIAL GROUP 93	100,232.01	15.74	90,233.87	14.60	79,964.00	13.45
62 Banks 5	53,918.53	8.47	48,879.99	7.91	43,552.10	7.33
65 Insurance (Life) 5	11,254.89	1.77	10,796.83	1.75	9,480.02	1.59
66 Insurance (Composite) 7	12,908.95	2.03	11,882.73	1.92	11,046.20	1.86
67 Insurance Brokers 10	2,953.60	0.46	2,500.29	0.40	2,440.03	0.41
68 Merchant Banks 6	4,144.04	0.65	3,811.99	0.62	3,036.58	0.51
69 Property 29	10,654.88	1.67	8,506.30	1.38	6,891.90	1.15
70 Other Financial 24	4,397.37	0.69	3,855.74	0.62	3,417.18	0.57
71 Investment Trusts 110	19,403.43	3.05	17,875.69	2.89	16,582.76	2.79
99 ALL-SHARE INDEX 608	636,790.95	100.0	617,987.70	100.0	594,374.06	100.0

† Figures rounded due to slight pricing inconsistencies. * Market Capitalisation figures for 31/12/92 after Year End changes.

COMMODITIES AND AGRICULTURE

Oil prices slip in nervous market

By Deborah Hargreaves

OIL PRICES slipped by 30 cents in light trading in London yesterday as many traders stayed out of the market because of uncertainty over the Iraqi oil talks in New York. The Baghdad government is talking to the United Nations about a one-off sale of $1.6bn-worth of oil to pay for humanitarian aid.

North Sea Brent crude for August delivery dropped from $17.20 a barrel to $16.90 a barrel after edging upwards on Tuesday as traders took profits on short positions following large falls last week.

The talks broke up yesterday with the leader of the Iraqi delegation saying they had been "in a spirit of co-operation". Iraq is believed to have softened resistance to some conditions attached to the sale. Talks resume today and could take over a week.

"The market is nervous and thin," said one trader. Buyers have been reluctant to stock up ahead of the Iraqi oil talks as if they are successful and Iraqi oil returns to the market, prices could plunge.

The Organisation of Petroleum Exporting Countries is monitoring the situation carefully and would probably call an emergency meeting if the talks proved successful.

Gold surge falters at $400

By Kenneth Gooding, Mining Correspondent

THE GOLD price was only 75 cents away from $400 a troy ounce at one stage in London yesterday. But the precious metal's attack on the psychologically-important level faltered in the face of profit-taking by New York funds and it closed in London at $394 an ounce, up $2.25 on the day.

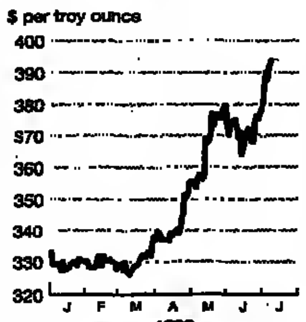
Dealers suggested it would not be long before gold was driven through $400 by the weight of money behind recent options buying and other technical factors.

Silver, the best performer in the recent precious metals rally, traded near three-year highs, reaching $5.20 before determined selling after the New York market opened saw it retreat to close unchanged in London at $5.08½ an ounce. Platinum touched a 29-month peak before closing at $406.25.

"Low interest rates are forcing hot money into fairly thin markets such as those for precious metals and gold shares," said Mr Andy Smith, analyst at the Union Bank of Switzerland.

Gold price

$ per troy ounce



Source: Datastream

"We must not try to attach any logic to it."

He pointed out the gold market was ignoring what should be bad news such as "discordant noises from Beijing about cooling the Chinese economic boom, US long bonds flat at all-time lows, oil prices at their lowest for more than two years and Taiwan's announcement today that gold imports in June plunged by 40 per cent".

Other analysts saw the gold market in a different light. Mr Jeffrey Christian, managing director of the New York-based CPM consultancy group, insisted the recent rise was "not merely a 'paper' rally but there is a strong, broad-based physical demand".

More important, according to Mr Christian, there were a wide range of reasons given by investors for their present interest in gold "which suggests the rally might continue longer than would be expected if only one or two reasons were given".

Nevertheless, in CPM's latest Market Timing Advisory publication, he warns that in August and the third quarter some holders of long gold futures positions could reverse their tactics and knock prices back. Also, "some of the central banks which sold call [buying] options over the past two months are prepared, even eager, to allow these positions to be exercised. Should this happen, there could be several million ounces of bullion entering the physical market, helping to halt any further rally".

MTA, fortnightly, $1,500 a year from CPM, 71 Broadway, Suite 305, New York, NY 10006, US.

Rare pest threatens UK wheat

By David Blackwell

UK WHEAT farmers are reporting attacks on their crops by a rare pest at levels that have not been seen for 100 years.

The orange blossom midge, a flying insect whose larvae attack developing grain, was last seen in the UK in Yorkshire in 1976-78, according to Mr Peter Limb, chairman of the National Farmers Union cereals committee. "We are getting reports from Wiltshire through the grain growing areas to Yorkshire, right round the coast," said Mr Limb, who estimated the area affected at half the UK grain crop.

In badly affected areas crops could be reduced by 25 to 30 per cent, he said, although nationally the yield should be reduced by only between 2 and 5 per cent. However, the milling wheat used for bread making suffers more from the insect than feed wheats.

UK bread wheat prices are already forecast to end this year at the same level as last year in spite of reforms to the European Community's common agricultural policy aimed at cutting cereal prices. The Home Grown Cereals Authority is quoting bread wheat for delivery in the final quarter at £135 a tonne, unchanged from the 1992-93 final quarter.

The sharp devaluation in the green pound and a tight balance between supply and demand in the coming harvest have combined to keep prices high. The green pound – the artificial exchange rate at which EC guarantee prices are converted into sterling – has suffered a net devaluation of around 19 per cent since July last year following the withdrawal of sterling from the EC Exchange Rate Mechanism.

This has helped to offset the cut in EC grain intervention prices from Ecu 150 to Ecu 117 (£89) a tonne this year. Observers point out that grain prices in EC countries with strong currencies, such as France and Germany, will see a marked reduction in cereal prices.

The CAP reform provisions for setting aside productive land have led to a fall of 13 per cent in the area of UK land sown to wheat. But the area for bread wheat is down by less than 1 per cent. According to the HGCA, if milling variety yields average 6 tonnes a hectare, production will more than 2.5m tonnes, while demand is expected to be between 2.5m and 3m tonnes.

The National Association of British and Irish Millers has already warned that bread wheat supply could be very tight this year, especially if the weather is poor at harvest.

Cash squeeze chokes Chinese copper trade

Lynne O'Donnell on a problem caused by efforts to cool the overheated economy

OVERT ATTEMPTS by the Chinese government to cool its overheating economy have come at a bad time for some of the country's major raw materials suppliers, who are unable to sell more than 50,000 tonnes of copper now clogging the eastern port of Shanghai.

Traders and brokers in Beijing and Hong Kong say the copper could be sitting on ships until the end of the year or even longer because Chinese buyers have no cash to pay for it. Until recently, China was the world's biggest purchaser of copper, last year importing more than 500,000 tonnes of the 700,000 tonnes it needed – and maintaining inflated prices.

Copper began the year as high as US$2,400 a tonne but China's about-turn from buyer to seller saw the price plunge in early April to its lowest point in five years, $1,756 a tonne.

On the London Metals Exchange the three months delivery price is hovering around $1,950 a tonne and brokers say it is unlikely to break the $2,000 mark for months to come as the market has come to terms with the fact that supply now outstrips demand, stocks are high and China can no longer buy.

Now China's severe cash flow problems, compounded by the volatility of the yuan currency and uneasiness about macroeconomic policy direction as the government has finally recognised the need to slow growth, are keeping the country's metals trade "desperately quiet," analysts say.

"Sellers in China are generally cash sellers and if they can't see the colour of your money, they won't give credit," says a broker based in Beijing with an international company.

He notes that the copper stuck in Shanghai has been purchased by large state and regional corporations that can "afford to ride out the storm" even though they may not be able to redeem their outlay before the end of this year or possibly early in 1994.

The head of a Hong Kong trading company says all available cash for imports has been spent on steel in the first half. A hundred ships carrying steel for China's booming construction industry were unloaded in Shanghai's Huangpu Port in May and June, he says, "consuming all the available US dollars".

Beijing announced last weekend a 16-point plan to control inflation, now running close to 20 per cent in the cities, which includes curbing bank lending and delaying some infrastructure projects. The hit-list was revealed soon after Vice Premier Zhu Rongji took on the extra job of governor of the central bank, the Bank of China, replacing Mr Li Guixian.

Whether or not Mr Zhu's plan for economic stability can break China's almost traditional boom-bust-boom cycle remains to be seen. Previous attempts, such as in 1988 when runaway inflation led to panic buying and, eventually, to the anti-government demonstrations that were quelled by the army on June 4 the following year, saw imports all but halted.

This time China is expected to keep its markets open, but *with credit drying up, it is difficult to see how the government can bring the economy in for the "soft landing"* it is now promising.

Provincial importers have had to deal with a more than 25 per cent devaluation of the yuan since the government removed the ceiling on exchange rates on June 1. The yuan has only stabilised in recent days on the semi-official swap markets, which handle about a third of all trade-related currency exchanges.

On Monday the rate against the US dollar strengthened for the first time since the deregulation, closing at 9.8583. It had fallen to as low as 11. The official exchange rate remains 5.7 yuan to the dollar.

Domestic copper prices have only recently fallen to match the LME price, a sign analysts agreed pointed to a broad and welcome tightening that could see construction and capital works slow and soaring property prices soften.

"When prices are unrealistically high, it's like a house of cards that needs to fall down," says the Beijing broker. "I don't think the economy will go into a meltdown, but it needs to come down across the board and the current tightening is healthy."

Lack of incentive locks up Mongolia's gold

Lynne O'Donnell on restrictive investment laws that are discouraging mine developers

MR SAMBUUGIN Gereltuya, director of Mongolia's Mineral Processing Technological Centre, has a problem. His organisation owns a commercially-viable gold mine, but because of his impoverished country's restrictive gold acquisition policy, there is no incentive to develop the mine.

As in neighbouring China, the Mongolian Central Bank is empowered to acquire all gold produced at a price well below that prevailing internationally, with the result that gold mining is not commercially viable. The recent heavy depreciation of the local currency, the tugrik, after it was floated has exacerbated the problem.

"No official has said anything about changing the price. If the old price doesn't change, we cannot develop the mine," says Mr Gereltuya ruefully. The exploitation of mineral resources, particularly gold and platinum, would seem to offer Mongolia, which is believed to be rich in such resources, the best prospect for improving its disastrous foreign exchange position.

The country's new foreign investment law also acts as a disincentive to much-needed foreign participation in the capital-intensive gold mining sector. The law, passed in May, obliges foreign companies to pay the full tax rate from the word go on profits gleaned from the production of precious metals. There is no provision for tax holidays or other incentives.

Tough laws relating to gold production stand in marked contrast to the relatively favourable terms being offered for the exploitation of most minerals and oil and gas, under which companies are being offered a five-year tax holiday, to be followed by a further five years at a 50 per cent of the full tax rate.

Mongolia's stumbling approach to providing incentives for development of its gold sector is typical of this landlocked country's uncertain progress towards the international mainstream after being almost totally dependent on Moscow for the past 70 years.

When the Soviet Union fell apart in 1991 Mongolia lost the life-line that had provided everything from food, clothing, oil and electricity to chewing gum, teapots and light bulbs. After the collapse Mongolia's GNP shrank by 10 per cent, foreign trade volume fell by 60 per cent and national income fell 13 per cent to US$10bn. Foreign debt has reached $12bn and aid last year totalled $220m.

Adding to the disastrous situation were the losses incurred by officials of Mongolia's Central Bank, who squandered about $80m, virtually the whole of the country's foreign exchange reserves, in ill-advised currency speculation.

Mr Wilhelm Nahr, resident representative in Ulan Bator, the Mongolian capital, for the International Monetary Fund, which last year negotiated a reform package with the government, says simply: "They are faced with a complete lack of foreign resources".

Commitments entered into under a typical IMF assistance programme included undertakings to move the local currency towards convertibility, controls on the deficit and liberalisation of trade policies. Mongolia's trade is at present almost exclusively in copper barter deals. Last year's production of about 250,000 tonnes was, as usual, swapped with Russia for spare parts, oil and consumer goods.

Among the areas where Mongolia is in desperate need of assistance is in infrastructure. The country's phone system is appalling, many of its roads are impassable for much of the year and its rail links are extremely limited.

Mr Lawrence Lien, a consultant to the United Nations Development Programme, believes that Mongolia needs to do much more to encourage foreign investment in both the resources area, where prospects are good, and in infrastructure. "You need to have an arrangement for the recovery of investment quickly," he says. "Mongolia must, if it want foreign partners for infrastructure development, create a situation that allows for faster return."

Among the steps that he suggests should be adopted immediately to encourage infrastructure development are more generous tax laws and a provision that a foreign partner gets paid before the local partner. "All these things look like exploitation," he admits, "but in reality these are incentives for foreigners to come and take substantial risks for substantial return."

Taiwan's state sugar company in Vietnam refinery plan

By Dennis Engbarth in Taipei

TAIWAN SUGAR Company, the island's state-owned processed food maker, plans to invest in a $58m sugar refinery in Vietnam. The project may help Taisugar cope with growing competitive pressure to lower sugar prices just as declining acreage and higher wages are boosting production costs.

A new fair trade statute and Taiwan's proposed accession to the General Agreement on Tariffs and Trade are opening the market to more local and international competitors, thus eroding Taisugar's domination.

Farmers are now more reluctant to grow sugar, while local businessmen are calling on Taisugar to turn some of its landholding for use by other industries and housing. The result is a decline in land devoted to sugar cultivation.

Vietnam offers Taisugar an opportunity to ease the pain of transition. "We need to import sugar and need land to grow it. Vietnam needs both investment and sugar," said Mr Cheng Hung-tsai, deputy general manager.

Mr Cheng noted that Vietnam now imported all of its sugar, even though its climate was favourable for sugar cultivation and wages were relatively low. "If we can proceed with the project, the Vietnamese government will welcome us," he said.

The proposal is now under review by the the Ministry of Economic Affairs' Commission of National Corporations. If approved, the plan will be included in Taisugar's budget for the 1995 fiscal year, beginning July 1 1994) for review by the Legislative Ynan, Mr Cheng said.

The plant would initially produce 99,000 tons of raw granulated sugar annually. Most of the output would be sold in Vietnam but Taisugar aims to export a portion back to Taiwan for refining.

According to the present plan, the Vietnamese government would contribute 25 per cent of the required capital, with Taisugar providing 37.5 per cent and other Taiwan-based food companies adding another 37.5 per cent.

WORLD COMMODITIES PRICES

MARKET REPORT

COPPER prices burst higher at the London Metal Exchange yesterday afternoon after a bear raid linked to July traded options declarations had pushed values lower in earlier trading. The three months position, which had been as low as $1,920 a tonne, closed at $1,956.50 a tonne, up $10 on balance, and moved on to $1,974 a tonne in after-hours trading. Dealers attributed the late surge to the weight of investment fund and speculative buying. ALUMINIUM's weaker trend continued, with three months metal closing $13.75 down at $1,240.75 a tonne. Dealers said upside momentum had run out in the absence of follow-up production decisions after Aluminum Company of America's announcement of cuts last week. The NICKEL market ended steadier after becoming oversold in the morning's fall to six-year lows. Technically-inspired buying saw the three months delivery price rally to $5,252.50 at the close, up $37.50 on the day. COCOA and COFFEE prices recouped early losses at the London Commodities Exchange to end little changed on the day. Fears of a July cocoa squeeze had evaporated, traders said.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)(Aug)		+ or -
Dubai	$14.55-4.60	-.245
Brent Blend (dated)	$16.66-6.68	-0.27
Brent Blend (Aug)	$16.91-6.93	-0.27
W.T.I (1 pm est)	$17.96-8.00	-.405
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$198-200	
Gas Oil	$163-164	-0.5
Heavy Fuel Oil	$80-82	
Naphtha	$170-171	-0.5
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$394.00	+2.25
Silver (per troy oz)♣	508.5c	
Platinum (per troy oz)	$406.25	+2
Palladium (per troy oz)	$140.00	-0.25
Copper (US Producer)	90.50c	
Lead (US Producer)	34.63c	
Tin (Kuala Lumpur market)	12.70m	-0.2
Tin (New York)	231.5c	-4
Zinc (US Prime Western)	62.00c	
Cattle (live weight)†	137.98	-1.67*
Sheep (live weight)†♣	100.59p	-7.62*
Pigs (live weight)†	82.48p	-3.17*
London daily sugar (raw)	$277.70	+2.4
London daily sugar (white)	$277.00	-2
Tate and Lyle export price	£298.50	+2
Barley (English feed)	£108.0t	
Maize (US No. 3 yellow)	£168.5	
Wheat (US Dark Northern)	£147.0u	
Rubber (Aug)▼	58.50p	
Rubber (Sep)▼	59.00p	
Rubber (KL RSS No 1 Jul)	207.5m	
Coconut oil (Philippines)§	$460.0v	+10
Palm Oil (Malaysian)§	$365t	+7.5
Copra (Philippines)§	$295u	+5
Soyabeans (US)	£208.0y	
Cotton "A" Index	57.05c	+0.4
Wooltops (64s Super)	352p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Jul/Aug. z-Aug.v-Sep/Oct u-Jul t-Oct/Dec x-Aug/Oct ▼London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.♣Sheep prices are now live weight prices * change from a week ago, provisional prices.

SUGAR – LCE ($ per tonne)

White	Close	Previous	High/Low	
Aug	276.00	276.00	277.20	275.20
Oct	272.00	271.30	272.80	270.00
Mar	271.20	271.80	273.50	271.40

White 1468 (254) Paris- White (FFr per tonne): Aug 1585.91 Oct 1583.15

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low	
Aug	16.92	17.08	17.20	16.82
Sep	17.03	17.17	17.30	16.97
Oct	17.24	17.37	17.44	17.17
Nov	17.40	17.53	17.56	17.36
Dec	17.56	17.72	17.77	17.54
Jan	17.68	17.83	17.83	17.65
Feb	17.76	17.96	17.76	17.76
IPE Index	17.07	16.91	17.07	17.07

Turnover 28421 (44204)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low	
Jul	161.25	161.75	163.00	160.75
Aug	161.25	161.75	163.00	160.75
Sep	162.75	163.25	164.25	162.25
Oct	165.25	166.00	157.25	165.00
Nov	167.00	168.00	168.75	167.00
Dec	169.00	170.50	171.00	169.00
Jan	170.25	171.60	171.80	170.00
Feb	159.75	171.25	170.25	170.00
Apr	165.75	167.25	168.00	163.00

Turnover 12894 (20687) lots of 100 tonnes

WOOL

With no wool being held in the main wool producing countries, prices are static. In wool-using countries holidays are beginning to have their usual effect, underlining dullness due to the recess in the wool selling season. Sales *from the Australian stockpile continue, at a low* but not discouraging rate, with the emphasis on superfine merino fleece but some support elsewhere. The feeling is that at present wool prices production in primary markets will decline more than already forecast. Recovery in the UK and US economies is not seen as *sufficient to offset recession in Japan and* Europe which used to buy large quantities.

COCOA – LCE £/tonne

	Close	Previous	High/Low	
Jul	737	739	736	729
Sep	745	745	750	735
Dec	762	746	757	740
Mar	764	758	767	754
May	776	769	778	764
Jul	787	783	779	778
Sep	796	796	798	790
Dec	815	816	816	804
Mar	832	832	834	826
May	847	844	848	845

Turnover: 7936 (9366) lots of 10 tonnes. ICCO indicator prices (SDRs per tonne). Daily price for Jul 7 751.27 (n/a) 10 day average for Jul 7 732.80 (n/a).

COFFEE – LCE $/tonne

	Close	Previous	High/Low	
Jul	952	962	962	955
Sep	950	978	980	970
Nov	976	974	990	975
Jan	976	972	987	974
Mar	978	971	987	972
May	974	971	962	972

Turnover 3978 (5010) lots of 5 tonnes. ICO indicator prices (US cents per pound) for Jul 6 Comp. daily 60.33 (n/a) 15 day average 55.42 (n/a).

POTATOES – LCE £/tonne

	Close	Previous	High/Low	
Apr	92.8	95.1	93.0	92.0
May	102.5	102.0	102.5	101.0

Turnover 58 (44) lots of 20 tonnes.

SOYAMEAL – LCE £/tonne

	Close	Previous	High/Low
Oct	-	163.50	

Turnover 0 (50) lots of 00 tonnes.

FREIGHT – LCE $10/index point

	Close	Previous	High/Low	
Jul	1287	1300	1294	1264
Aug	1247	1283	1275	1247
Sep	1271	1314	1300	1271
Oct	1310	1360	1380	1310
Nov	1318	1375	1358	1318
Jan	1338	1388	1378	1338
Jul	1240	1278	1250	1240
BFI	1410	1424		

Turnover 800 (77)

GRAINS – LCE £/tonne

Wheat	Close	Previous	High/Low	
Sep	106.00	-	106.00	105.75
Nov	107.80	100.75	107.80	107.25
Jan	110.35	109.25	110.35	109.85
Mar	112.25	111.35	112.25	111.00
May	114.50	113.60	114.50	114.20
Barley	**Close**	**Previous**	**High/Low**	
Nov	100.20	105.70	106.20	106.00
Jan	108.65	-	108.65	108.50
Mar	110.50	-	110.50	110.25

Turnover: Wheat 212 (356), Barley 81 (42). Turnover lots of 100 Tonnes.

PIGS – LCE (Cash Settlement) p/kg

	Close	Previous	High/Low
Jul	-	109.5	

Turnover:0 (9)lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover n/a lots
Cash	1216-7	1230-1		1215.5-20.5		
3 months	1240.5-1.0	1254-5	1250/1237	1244-4.5	1245-6	n/a lots
Copper, Grade A ($ per tonne)						Total daily turnover n/a lots
Cash	1946.5-7.5	1936-40	1945	1945-5.5		
3 months	1956-7	1946-7	1974/1920	1955.5-4.0	1975-4	n/a lots
Lead ($ per tonne)						Total daily turnover n/a lots
Cash	378.5-9.5	376-7		374-4.5		
3 months	393-4	390-1	394/389	389.5-90.0	393-4	n/a lots
Nickel ($ per tonne)						Total daily turnover n/a lots
Cash	5195-205	5150-60		5150-60		
3 months	5250-5	5210-20	5255/5170	5210-5	5250-60	n/a lots
Tin ($ per tonne)						Total daily turnover n/a lots
Cash	4965-70	4985-95		4953-4		
3 months	5022-4	5040-50	5020/5000	5010-5	5000-10	n/a lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover n/a lots
Cash	914-5	919-20	915	914.5-5.0		
3 months	931-2	936-7	935/931	931.5-2.0	931-2	n/a lots

LME Closing £/$ rate: SPOT: 1.4922 3 months: 1.4825 6 months: 1.4740 9 months: 1.4674

Copper and lead prices are now expressed in dollars per tonne

LONDON BULLION MARKET (Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	393.75-394.25	
Opening	393.00-393.50	
Morning fix	397.25	264.041
Afternoon fix	395.80	263.042
Day's high	396.75-398.50	
Day's low	393.00-393.50	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	2.48	6 months	2.51
2 months	2.48	12 months	2.54
3 months	2.50		

Silver fix	p/troy oz	US cts equiv
Spot	343.35	516.75
3 months	348.35	520.70
6 months	352.75	524.70
12 months	362.50	534.65

GOLD COINS

	$ price	£ equivalent
Krugerrand	397.50-400.50	264.00-266.00
Maple leaf	405.55-408.05	-
New Sovereign	94.00-97.00	62.00-64.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Aug	Oct	Aug	Oct
1225	38	65	22	44
1250	26	52	34	57
1275	17	40	40	73
Copper (Grade A)	**Calls**		**Puts**	
1900	82	108	00	00
1900	54	83	52	54
2000	33	52	81	112
Coffee	**Sep**	**Nov**	**Sep**	**Nov**
850	181	134	3	10
900	87	96	9	22
950	52	00	24	41
Cocoa	**Sep**	**Dec**	**Sep**	**Dec**
725	38	54	18	33
750	24	41	29	45
775	15	32	45	61
Brent Crude	**Aug**	**Sep**	**Aug**	**Sep**
1700	10	53	32	46
1750	7	24	65	
1800		11		

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Jul	397.0	392.3	0	0
Aug	397.8	393.1	398.1	393.8
Sep	398.9	394.1	397.8	395.5
Oct	400.0	395.0	400.8	396.0
Dec	401.8	397.1	402.4	398.0
Feb	403.6	398.8	404.0	400.0
Apr	405.3	400.5	406.0	402.2
Jun	407.0	402.2	406.4	404.0
Aug	408.8	404.0	408.8	408.5

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jul	409.7	408.9	411.0	407.0
Oct	411.8	409.1	413.5	409.0
Jan	412.3	409.8	414.0	410.0
Apr	412.8	410.1	411.0	411.0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Jul	510.0	508.8	514.0	505.0
Aug	511.3	510.9	811.0	511.0
Sep	512.8	512.5	519.0	504.0
Dec	516.3	517.9	524.5	509.0
Jan	518.9	518.5	0	0
Mar	523.3	522.8	530.0	516.0
May	527.2	526.7	533.5	520.0
Jul	530.7	530.2	534.0	526.0
Sep	534.5	534.0	536.0	534.5
Dec	540.2	539.7	543.0	534.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	88.00	86.75	88.00	87.00
Aug	88.30	87.00	88.30	87.85
Sep	88.66	87.35	89.00	87.45
Oct	88.70	87.40	0	0
Nov	87.45	87.45	0	0
Dec	88.70	87.65	89.19	87.75
Jan	88.65	87.65	88.35	88.35
Feb	88.90	87.75	0	0
Mar	89.00	87.85	88.80	88.30
Apr	59.05	87.25	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Aug	17.87	18.29	18.38	17.90
Sep	18.28	18.54	18.51	18.23
Oct	18.50	15.75	18.63	18.47
Nov	16.70	18.96	10.07	18.66
Dec	18.90	19.13	19.23	18.90
Jan	19.18	19.27	19.38	19.15
Feb	19.17	19.37	19.38	19.21
Mar	19.28	19.45	19.30	19.28
Apr	19.55	19.51	19.57	19.55
May	19.47	19.57	19.47	19.47

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Aug	50.60	51.28	51.50	50.50
Sep	51.75	52.21	52.37	51.00
Oct	52.80	53.28	53.46	52.70
Nov	53.90	54.38	54.60	53.90
Dec	55.15	55.46	55.70	55.00
Jan	56.00	56.28	56.50	55.90
Feb	55.35	56.35	56.20	56.20
Mar	55.50	55.46	55.60	55.40
Apr	54.20	54.46	54.90	54.90
May	53.60	53.50	53.90	53.90

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Jul	960	959	960	960
Sep	974	954	980	968
Dec	1000	1007	1008	994
Mar	1025	1030	1028	1020
May	1046	1051	1048	1046
Jul	1055	1073	0	0
Sep	1069	1094	1085	1085
Dec	1115	1120	0	0
Mar	1136	1145	1136	1130
May	1154	1160	1153	1145

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Jul	68.00	70.80	71.40	68.50
Sep	69.75	71.85	72.50	69.20
Dec	71.85	73.10	74.20	71.45
Mar	73.60	74.90	75.40	73.80
May	74.70	77.00	77.00	76.00
Jul	77.60	78.60	78.50	77.60
Sep	78.80	80.20	79.50	79.50
Dec	81.70	83.20	84.50	82.50

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	10.86	10.75	10.89	10.62
Mar	10.82	10.58	10.84	10.45
May	10.59	10.53	10.60	10.48
Jul	10.45	10.40	10.45	10.43
Oct	10.32	10.29	10.33	10.24

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Jul	58.19	54.86	57.00	54.45
Oct	57.35	57.47	57.60	56.81
Dec	57.80	58.15	58.06	57.40
Mar	58.86	59.05	59.05	58.45
May	59.25	59.62	59.25	59.25
Jul	59.95	60.15	60.25	60.00
Oct	60.30	60.50	0	0
Dec	61.00	60.30	60.60	60.50

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	122.25	124.20	124.00	122.00
Sep	125.25	126.55	127.00	125.00
Nov	127.45	129.80	129.50	127.40
Jan	128.50	131.60	131.00	128.50
Mar	130.10	133.00	133.00	131.00
May	132.95	133.45	133.00	133.00
Jul	132.95	133.45	132.00	132.00
Sep	131.25	133.45	0	0
Nov	131.95	133.45	0	0

INDICES

REUTERS (Base:September 18 1931 = 100)			
Jul 7	Jul 6	mnth ago	yr ago
1705.6	1679.9	1656.1	1545.8

DOW JONES (Base: Dec. 21 1974 = 100)				
	Jul 6	Jul 5	mnth ago	yr ago
Spot	125.83	n/a	-	118.39
Futures	126.82	n/a	-	118.72

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jul	706/6	703/0	709/0	690/0
Aug	709/6	696/4	713/4	691/0
Sep	712/6	695/4	715/4	693/0
Nov	715/0	697/6	718/0	695/0
Jan	718/2	700/2	719/0	698/0
Mar	717/4	703/2	718/0	700/0
May	717/4	706/0	718/0	700/0
Jul	718/0	706/4	721/0	702/0
Aug	696/0	698/0	696/0	690/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	24.85	25.05	25.00	24.30
Aug	24.97	24.00	25.10	24.30
Sep	25.08	25.02	25.28	24.50
Oct	25.25	25.13	25.35	24.70
Dec	25.47	25.35	25.60	24.80
Jan	25.45	25.38	25.55	24.85
Mar	25.50	25.45	25.55	24.95
May	25.47	25.47	25.65	25.05
Jul	25.47	25.35	25.55	25.05
Aug	25.47	25.32	0	0

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Jul	221.9	220.7	222.0	315.8
Aug	220.9	215.9	221.0	215.0
Sep	221.2	216.3	221.5	215.8
Oct	221.7	216.7	222.0	215.8
Dec	223.5	218.2	224.0	217.0
Jan	222.9	217.7	223.0	917.5
Mar	221.2	217.0	222.0	216.0
May	221.0	217.0	221.0	217.0
Jul	218.5	216.5	318.5	318.5
Aug	218.5	216.5	0	0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Jul	240/2	240/4	242/2	235/0
Sep	247/6	249/2	251/0	242/4
Dec	257/6	259/4	259/0	252/0
Mar	264/0	264/6	265/4	258/6
May	268/2	268/4	269/0	262/4
Jul	269/0	269/4	269/4	264/0
Sep	256/4	257/0	257/4	256/0
Dec	252/6	253/2	253/4	251/4

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Jul	305/4	313/0	318/0	304/0
Sep	305/4	312/6	318/0	303/0
Dec	316/4	322/4	326/0	312/0
Mar	318/0	327/0	329/0	318/0
May	318/0	324/0	326/4	318/0
Jul	311/0	317/0	317/0	306/4

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Aug	74.925	74.900	75.075	74.700
Oct	75.075	74.850	75.150	74.775
Dec	75.900	75.850	75.950	75.600
Feb	75.475	75.325	75.500	75.225
Apr	76.575	76.900	76.650	76.425
Jun	73.400	73.350	73.500	73.300
Aug	72.350	72.300	72.400	72.050

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Jul	48.775	49.125	40.100	48.700
Aug	47.950	47.925	48.250	47.850
Oct	44.125	43.750	44.225	43.725
Dec	44.750	44.850	44.975	44.250
Feb	45.100	45.100	45.200	44.350
Apr	43.725	43.900	43.800	43.200
Jun	49.300	49.750	49.400	49.000
Jul	48.850	49.200	48.850	48.700
Aug	48.700	0	0	0

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	37.275	37.275	37.450	36.500
Aug	36.100	36.525	36.525	35.400
Feb	46.475	45.675	47.100	45.300
Mar	45.900	45.150	46.750	46.000
May	47.000	45.500	47.000	0
Jul	43.600	43.600	45.600	0
Aug	46.000	46.000	46.000	0

Late rally leaves shares just ahead

By Steve Thompson

THE STOCK market successfully resisted another bout of downside pressure yesterday, as it clawed its way back from an unhappy opening, with the upturn fuelled by a general advance by international stock markets.

The early weakness in London stemmed from a steep decline on Wall Street overnight, following on the US market's poor performance last Friday, some dlsappointing results from high street retailer Dixons, and yet more worries about cash calls on the market.

Wall Street's 34-point Dow drop overnight was said to have been caused by worries that the US Federal Reserve may move to tighten monetary policy in response to growing worries about rising inflation in the US.

Adding to the market's discomfort was the latest upsurge in the bullion price, which launched another attempt at piercing the $400 an ounce level before backing off. Rising gold prices are traditionally linked with inflationary pressures.

The US msrket's sharp decline on Tuesday set the tone for London, with the FT-SE 100 Index opening 6.5 lowsr at 2,841.6 and moving down to the day's lowest point of 2,829.2 in mid-morning.

Dealers insisted, however, that there had been no heavy downward pressure on ths cash market and that the real pressure was being felt in the FT-SE future, which traded at a discount during the morning.

A rally in the future set in just before Wall Street opened, dragging the underlying market with it. The Dow Industrial Average opened on a firm note and gradually moved up to stand around 19 Dow points highsr as London closed.

Another hullish factor for London was the sharp turnround by the leading European bourses, notably in Germany where equities and bonds made rapid progress in the afternoon, responding to persistent hints that a further German interest rate cut is possible before the autumn. The encouraging news on international trade emerging from tha G7 meeting in Tokyo was seen as a helpful factor in the rebound by world markets.

The FT-SE 100 nudged into positive territory only minutes before the close of trading, ending a net 0.2 higher at 2,848.3. The FT-SE Mid 250 Index fared less well, finishing a generally depressing session 12.2 lower at 3,212.9.

Turnover in equities was a respectable 586.2m shares, ahead of Tuesday's 554.3m and well up from Monday's meagre 384m shares. Yesterday'a total included 318.7m non-FT-SE 100 shares.

The hlg pharmaceutical stocks continued to attract strong support, on the view that the sector has heen heavily oversold in recent months. SmithKline Beecham featured after being granted permission to sell its anti-ulcer Tagamet drug over tha counter.

Wellcome was well supported, as was Glaxo, although the latter lagged behind the other two drugs leaders after reports of renewed selling from the US.

Utilities raced higher with the exception of the English gensrators, which were affected by switching into the regional electricity stocks.

BT edged higher; the final stage of the BT3 share offer gets under way this morning with the opening of the Global Book for the international offer.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ASDA Group†	16,000	62¼		De La Rue†	503	858	-2	MB Caradon†	198	284	-2	Siebe†	1,300	498	+6
Abbey National†	3,200	417		Dixons	10,000	195	-15	MEPC	803	411	+9	Slough Ests	336	214	-1
Albert Fisher	595	63	-1	Eastern Elec.	285	493	-1	MFI	3,800	125	-6½	Smith (W.H.) A	1,200	439	-2
Allied-Lyons†	1,400	539	+3	East Midland Elec.	498	468	-2	Manweb	391	543	+3	Smith & Nephew†	1,100	144¼	
Anglian Water†	1,800	485	+11	Eng China Clays	711	419	+6	Marks & Spencer†	2,900	334½	-5½	SmKl Beecham†	3,500	438	+11
Argos	508	302	-5	Enterprise Oil†	412	463	-5	Midlands Elect.	270	495	+4	SmKl Beecham Uts.†	1,100	384	+18
Argyll Group†	3,400	313		Eurotunnel Units	13	418	-1	Morrison (Wm.)	81	132	-2	Smiths Inds.	130	385	
Arjo Wiggins†	2,300	173	-3	FKI	1,100	139	-3	NFC†	544	251	+1	Southern Elect.	424	500	+2
Ass. Brit. Foods†	142	478		Fisons	1,000	178	-1	NatWest Bank†	1,400	487½	+½	South Wales Elect.	48	558	+4
Ass. Brit. Ports	381	404	-4	Foreign & Col. I.T.	732	228		National Power†	3,800	357	+1	South West Water	817	508	+11
BAA†	818	723	-1	Forte†	11,000	226		Next	3,200	186	-5	South West. Elect.	636	501	+5
BAT Inds.†	3,000	414	-1	Gen. Accident†	935	620	-3	North West Water†	812	468	+7	Southern Water	348	488	+8
BET	854	118	-1½	General Elect.†	5,600	315	-3	Northern Elect.	398	540	+7	Standard Chartd.†	539	778	-5
BICC	537	400		Glaxo†	4,600	585½	+4	Northern Foods†	2,400	285	-7	Storehouse	285	198	-4
BOC†	1,600	657	-7	Glynwed Int.	368	291	-1	Norweb	847	517	+6	Sun Alliance†	1,800	360	+7
BP†	4,500	293½	-½	Granada†	2,000	414	-3	Pearson†	1,400	482	-1	T&N	681	183½	+1½
BPB Inds.	772	214	-2	Grand Met.†	2,400	413	-2	P & O†	1,200	610	-3	TI Group†	1,300	339	-1
BT†	8,600	428		GUS A†	195	1710	-35	Pilkington	482	128½	+½	TSB†	2,300	193	
BTR†	7,300	387		GRE†	1,300	194		PowerGen†	858	388	-1½	Tarmac	1,700	134	+2
Bank of Scotland†	2,400	151	+1	GKN	753	457	-3	Prudential†	2,100	330½	+½	Tate & Lyle†	2,000	382	+6
Barclays†	3,200	468	+7	Guinness†	3,200	486	-3	RMC†	1,000	744	+6	Taylor Woodrow	2,600	93	-4
Bass†	2,200	455	-10	HSBC (75p shs)†	2,400	655		RTZ†	918	682	-1	Tesco†	6,700	209	+2
Blue Circle†	3,900	249	+2	Hammerson 'A'	29	285	-5	Racal	485	214	-1	Thames Water†	1,900	478	+6
Booker	1,000	397	-1	Hanson†	10,000	227¼	+2¼	Rank Org.†	226	784		Thorn EMI†	787	804	+1
Boots†	2,400	431	-2	Hanson Warrants	715	23½	+¼	Reckitt & Colman†	881	558	+3	Tomkins†	1,800	228½	-2½
Bowater†	2,800	468	-2	Harrisons Crosfield	2,000	177	-2	Redland†	1,500	488	+5	Trafalgar House	818	102	-1½
Brit. Aerospace†	2,000	399	+7	Hillsdown	924	141	-2	Reed Intl.†	1,500	683	+2	Unigate	612	352	
British Airways†	5,400	307	-5	IMI	130	275	-1	Rentokil†	1,900	209		Unilever†	1,300	1008	+1
British Gas†	4,800	285	+1	ICI†	2,400	643	+3	Reuters†	828	1400	-13	United Biscuits†	828	374	-3
British Land	384	328		Inchcape†	3,800	540	-12½	Rolls Royce	3,800	138	-3	Utd. Newspapers	105	532	-3
British Steel†	29,000	91	+2½	Johnson Matthey	587	432	+1	Rothmans†	475	669	-15	Vodafone†	776	438	-3
Bunzl	21	126	-1	Kingfisher†	1,100	500	+4	Ryl Bk Scotland†	872	282		Warburg (SG)†	579	720	-2
Burmah Castrol†	353	704	-4	Kwik Save	408	718	-6	Royal Insurance†	4,800	318	+2	Wellcome†	3,200	678	+20
Burton	4,500	84	-1	Ladbroke†	2,800	182	-2	Saatchi	278	170	-1	Welsh Water	77	573	+3
Cable & Wire.†	787	787	-2	Land Securities†	862	590	-3	Sainsbury†	3,000	456	+2	Wessex Water	18	578	+8
Cadbury Schweppes†	1,000	453	-2	Laporte	585	818	-2	Scottish & New.†	1,200	484	+3	Whitbread 'A'†	2,100	477	-13
Calor Group	458	238	+2	Legal & General†	457	482		Scot. Hydro-Elect.†	556	334	-1	Williams Hldgs.†	1,100	318	-4
Carlton Comms.†	137	778	+1	Lloyds Abbey	250	438		Scottish Power†	3,000	314	-2	Willis Corroon	817	217	-7
Coats Viyella†	1,300	235	-2	Lloyds Bank†	1,600	582	+1	Sears†	3,600	97	-1½	Wimpey	220	159	-1
Comm. Union†	553	608		LASMO	3,700	157	-2	Sedgwick	2,000	196	-4	Wolseley†	1,800	617	-11
Cookson	374	214	-3	London Elect.	584	481	+3	Seeboard	584	510	+6	Yorkshire Elect.	314	534	+2
Courtaulds†	612	542		Lonrho	5,000	129½	+3½	Severn Trent Water†	4,400	484	+7	Yorkshire Water	237	493	+6
Dalgety	313	485	-4	Lucas	1,000	141	-1	Shell Transport†	3,300	615	-1	Zeneca†	2,200	617	-2

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 Index constituent.

Account Dealing Dates

*First Dealings:		
Jun 21	Jul 5	Jul 19
Option Declarations:		
Jul 1	Jul 15	Jul 29
Last Dealings:		
Jul 2	Jul 16	Jul 30
Account Day:		
Jul 12	Jul 26	Aug 9

*New time dealings may take place from 8.30am two business days earlier.

Tagamet boost for Beecham

THE announcement from UK drug authorities that an ulcer treatment from SmithKline Beecham would be considered for over the counter (OTC) approval boosted the shares, which advanced 11 to 436p with 3.5m traded.

Pharmaceutical analysts said the decision on Tagamet by the Committee on tha Safety of Medicines, which came after the stock market session on Tuesday, was a good development for the group.

Tagamet, an important product in SmithKline's armoury, is the first drug in its area of anti-ulcer treatment to receive this level of approval, and full official hlessing for sales without prescription will greatly enhance its market share.

SmithKline's advance was mirrored in a perky health and household sector. Wellcome jumped 20 to 678p, dealers attributing this largely to a technical correction after recent weakness.

Bespak surprised the sceptics who had been forecasting a dent in the group's profits, posting a good increase and improving the dividend. The shares mads some recovery from the dramatic losses incurred in recent sessions and closed 56 up at 518p.

Weak foods rally

The expected downgrades in the food retail sector began in earnest yesterday as James Capel reduced its profits forecasts for the leading stocks. The gloom over the sector for the past six months deepened on Friday following a bearish statement accompanying Asda's results, which predicted tough trading conditions in the sector for several years to come, prompting a rethink on company profits hy several brokers.

Capel reduced its food price inflation figures over the next three years, with corresponding reductions in profits estimates for leading stocks. J. Sainsbury, Tesco, Argyll and Kwik Save forecasts were reduced by £10m for the current year. While the agency broker said the stream of negative news on the sector may inject some buying activity on weakness, it remained negative in the long term. Shares were also cheered belatedly yesterday on the back of Sainsbury's agm statement. It gained 2 to 456p, as did Tesco, to 209p. Asda shares slipped ¼ to 62¼p, while Argyll steadied at 313p. Kwik Save lost 6 to 715p.

Field at premium

Field Group, the packaging company, made a very impressive market debut. The shares were offered for sale at 250p a share and more than seven times oversubscribed.

The stock began trading at 276p with huyers moving in and pushing the volume up to 13m. It was the market's third highest traded stock yesterday. The stock ended ths day at 279p.

Field's warm reception had been expected. According to one trader a premium of 10 per cent on the offer price had been anticipated while it closed just short of a 12 per cent premium. "There is a healthy demand for well-managed companies such as this," said the trader.

The company is ths leader in the paper packaging market and was part of a Reedpack management bny-out in 1988 and underwent a second MBO two years ago from SCA. The company intends to complete a £6m acquisition soon.

Policy Portfolio, a market-maker in second-hand endowment policies, joined the market with a placing of 3.6m shares at 130p. It began trading at 143p and ended the day 3 down at 140p.

Sun Alliance was the best performer in the composite insurance sector with the market increasingly suspicious that Transatlantic, the insurance group owned jointly hy Liberty Life of South Africa and UAP of France, may have been quietly adding to its 3.01 per cent stake in the UK group. The shares moved up 7 to 360p.

Transatlantic revealed what is described as a "strategic" stake in Sun early last month, triggering a rush of speculative buying in Sun shares, allthough some analysts dismissed talk of imminent bid moves as premature.

Dealers said there had been persistent support for the stock yesterday with turnover reaching 1.9m shares, tha highest single day's activity since the middle of June.

Any increase of a percentage point or more above the 3 per level has to be notified to the Stock Exchange.

Big exceptional provisions, largely against a US subsidiary, took the shine off Dixons results and the shares fell 15 to 195p in exceptionally heavy turnover of 10m, the second higgest in three years. The restructuring charges set against Silo confirmed the worst fears of many in the market. "Dixons should cut and run on Silo," said one disgruntled analyst. While the UK business was holding up well, stores specialists said Dixons' determination to put the business to rights will probably continue to overhang the shares for several months.

Strong two-way business in Forte was prompted hy a downgrade and reinforced negative stancs from NatWest Securities. The broker cited discounts being offered by the hotel group in its business class hotels as evidence that discounting was more widespread than was previously thought. The shares, which have enjoyed a good run in recent weeks, initially slumped on the news, but recovered as investors continued to believe the recovery story. The shares closed unchanged at 226p in hefty turnover of 11m.

A "take profits" recommendation issued hy Kleinwort Benson Securities on the insurance broking leaders upset the likes of Sedgwick and Willis Corroon. Ms Julianne Jessup, Kleinwort's analyst, highlighted the strong outperformancs of the stocks over the past three months and recommended a switch into the smaller hroking issues. Willis closed 7 off at 217p, on heavy turnover of 1.6m and Sedgwick 4 to 196p.

International trading group Lonrho, which earlier this week appointed James Capel as its joint hroker with Strauss Turnbull, put on 3¼ to 129½p, on talk of an imminent disposal.

Inchcape shed 12¼ to 545p, with Robert Fleming said to have turned cautious on the stock. Further reflection on the recent restructuring plans benefited Rothmans International sending the shares 15 up at 669p.

Sellers of Chubb Security, notably of a line of 6m at 300p, brought volume to 11m as the shares shed 3 to 310p.

Shares in British Aerospace recovered from an early retreat after the release of a government study supporting its proposed regional jets joint venture in Taiwan.

The shares eased last week on fears that the deal signed early this year may have to be aborted due to s lack of funding. One analyst said: "this will be good news if it means the joint venture can now go ahead otherwise the regional jets division faces closure."

Sentiment yesterday was also boosted by talk that Airbus Industris in which it has a 20 per cent stake was about to win a lucrative order for 44 Airhus aircraft. The shares closed 7 up at 399p after trade of 2m.

The big sell note from Carr Kitcat on Rolls-Royce continued to exact a heavy toll on the stock and the shares relinquished 3 to 138p, as volume rose to 3.5m.

British Steel was the subject of a tax related "bed and breakfast" deal which brought total turnover in the stock to 26m, which included a block of around 9m. The shares hardened 2¼ to 91p, with a leading US securities house said to have recommended the stock.

Fears that Vickers subsidiary Rolls-Royce Motor will not hreak even this year as expected due to poor car sales hrought an early slide in the shares. At the day's worst, the stock wss down 9 at 140p, before bargain hunters helped cut some of the earlier losses. The shares closed 4 off at 145p.

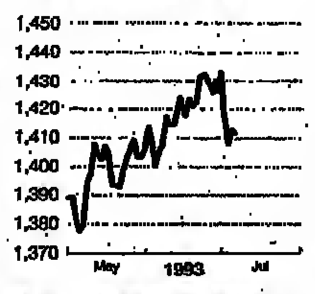
A squeeze in VSEL following an agency cross of around 100,000 shares at 845p, saw the shares jump 20 to 830p.

Shares in Bank of Ireland fell 9 to 241p, aftsr it announced a one-for-six rights issue intended to raise I£100m. The bank said it was to use the funds to strengthen its capital base.

MARKET REPORTERS:
Steve Thompson,
Joel Kibazo,
Christopher Price,
Christine Buckley.

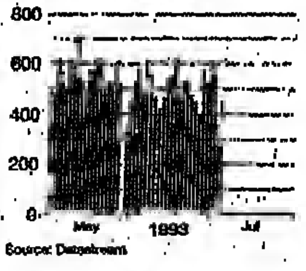
■ Other statistics, Page 24

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million) Excluding: intra-market business and overseas turnover



Source: Datastream

NEW HIGHS AND LOWS FOR 1993

NEW HIGHS (128).
BRITISH FUNDS (4) Tr. 8pc '03 A, Cv. 9pc '11, Tr. 5½pc '08-12, Tr. 9pc '12, OTHER FIXED INTEREST (1) Hydro Quebec 15pc '11, CANADIANS (2) American Barrick, Canadian Impl., BANKS (1) Fuji, BREWERS (2) Matthew Clark, Taunton Cider, BUSINESS SERVS (1) Brit. Data Mngmt., CHEMS (2) Croda, Porvair, CONGLOMERATES (2) Lonrho, Porter Chadburn, CONTG & CONSTRCN (1) Rubicon, ELECTRICALS (5) BICC Cap. 10½pc Cv. '20, Critchley, Philips, Pifco, Do A, ELECTRICITY (1) Southern, ELECTRONICS (6) Cray, ISA, Molyns, Polar, Redemac, TGI, ENG AERO (1) Westland, ENG GEN (6) Bullough, Cardo, Dyson (J & J), Do A, Renold, VSEL, HEALTH & HSEHOLD (1) Amersham, HOTELS & LEIS (2) Friendly Htls., Verdon, INSCE BROKERS (1) Sedgwick, INV TRUSTS (20) Brit. Empire Sec. Wts., Electra, I & S Optimum Zero Div., Latin American Wts., M & O Recovery Zero Pf., Merlin Intl. Green, New Zealand Inv., Primadona, RIT Capital, Do 2½pc Cv. '00, St David's Zero Pf., Schroders Split Zero Pf., Smaller Co's, Do Wts., Sphere Zero Pf., Suma, TR Technology Stppd. Pf., Do Units, Thompson Clive, Yeoman Zero Pf., MEDIA (2) Mirror, WPP, MTL & MTL FORMING (2) Lee (A), Morris Ashby, MISC (1) Osborne & Little, MOTORS (4) Appleyard, European Mtr., Gowrings, Vardy, OTHER FINCL (8) Jupiter Tyndall, Perpetual, St James Pl., OTHER INDLS (1) Suter, PACKG, PAPER & PRNTG (4) Bemrose, Repola, Sappi, Waco, PROP (1) Brit. Land 8⅝pc Pf., STORES (4) Colorvision, Courts, Fine Art Devlpts., Moss Bros., TEXTS (3) Dewhirst, Drummond, Sirdar, TRANSPORT (2) IoM Steam, Natl. Express, MINES (49).
NEW LOWS (30).
BRITISH FUNDS (2) Ex. 13½pc '94, Tr. 14½pc '94, AMERICANS (2) Bowater, Woolworth, CANADIANS (1) Darien, BANKS (1) Espirito Santo, BREWERS (1) Wolv. & Dudley, BUSINESS SERVS (1) RCO, CHEMS (2) Plysu, Wardle Storey, CONTG & CONSTRCN (2) Campbell & Armstrong, Raine, ELECTRICALS (1) Maddox, ELECTRONICS (1) Psion, ENG GEN (1) Barry Wehmiller, FOOD RETAILING (3) Morrison (Wm) 5½pc Pf., Sainsbury (J), Tesco, HEALTH & HSEHOLD (1) Haemocell, INV TRUSTS (1) Fleming High Inc., MISC (1) BAT Inds., OIL & GAS (2) Intl. Petrlm., OGC, OTHER INDLS (1) AAF, PACKG, PAPER & PRNTG (1) St Ives, STORES (2) Dixons, Do Dv Pf., TEXTS (1) Dawson, PLANTATIONS (2) Golden Hope, Highlands.

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
2848.3 +0.2	3219.9 -12.2	1411.73 -1.29

	Jul 7	Day's change %	Jul 6	Jul 5	Jul 2	Year ago	Dividend yield %	Earnings yield %	P/E Ratio	Xd adj ytd	Total Return
FT-SE 100	2848.3	—	2848.1	2838.5	2857.7	2472.8	4.02	5.91	21.07	51.80	1023.85
FT-SE Mid 250	3219.9	-0.4	3232.1	3219.0	3234.8	2475.2	3.74	6.11	20.25	52.16	1148.88
FT-SE Mid 250 ex Inv Trusts	3238.5	-0.4	3251.3	3237.4	3252.8	2495.9	3.83	6.53	19.13	52.99	1151.02
FT-SE-A 350	1425.1	-0.1	1426.2	1421.2	1430.2	1205.1	3.95	5.95	20.88	25.28	1049.74
FT-SE SmallCap	1638.21	-0.3	1642.72	1642.66	1644.62	-	3.46	4.28	32.79	24.05	1225.03
FT-SE SmallCap ex Inv Trusts	1642.21	-0.3	1646.73	1646.34	1647.10	-	3.65	4.72	30.75	25.29	1229.05
FT-A ALL-SHARE	1411.73	-0.1	1413.02	1408.36	1416.83	1189.35	3.92	5.85	21.36	24.78	1058.61
1 CAPITAL GOODS(214)	994.83	-0.3	997.80	995.05	1001.07	785.14	4.00	4.27	31.18	20.73	1187.25
2 Building Materials(28)	1054.27	-0.3	1057.92	1053.52	1061.16	883.66	4.44	3.73	37.42	21.04	1217.78
3 Contracting, Construction(29)	924.79	-1.3	937.18	938.70	944.02	772.72	3.58	1.47	80.00†	13.43	1275.46
4 Electricals(15)	2962.01	-0.4	2972.81	2941.07	2937.80	2442.03	4.55	4.91	25.98	65.13	1192.95
5 Electronics(38)	3688.63	-0.7	3707.57	3720.45	3775.86	1978.99	3.20	6.17	20.05	59.24	1175.23
6 Engineering-Aerospace(7)	411.92	-0.1	412.29	408.40	408.08	329.21	3.58	‡	‡	8.61	1422.31
7 Engineering-General(48)	577.16	-0.2	578.04	577.51	581.41	475.28	3.76	6.38	19.48	10.82	1152.16
8 Metals & Metal Forming(10)	396.66	+1.2	392.10	394.44	392.25	312.49	2.78	‡	‡	6.06	1251.65
9 Motors(20)	414.93	-0.2	415.77	412.61	412.70	338.75	5.24	4.50	31.13	9.77	1135.91
10 Other Industrials(19)	2108.12	-0.2	2111.31	2098.47	2102.28	1685.78	4.28	5.41	22.08	50.05	1086.39
21 CONSUMER GROUP(235)	1613.46	-0.1	1615.55	1613.25	1624.63	1574.17	3.56	6.96	17.51	25.82	834.13
22 Brewers and Distillers(30)	1860.00	-0.6	1871.40	1880.62	1895.18	2017.72	3.96	8.39	14.40	33.57	905.57
25 Food Manufacturing(22)	1294.32	-0.3	1298.11	1294.53	1307.99	1238.65	3.93	7.80	15.83	25.28	998.00
26 Food Retailing(17)	2808.06	+0.2	2802.54	2804.16	2865.48	2769.09	3.33	9.20	13.50	47.61	878.79
27 Health & Household(30)	3352.74	+1.2	3312.43	3274.00	3279.03	3770.71	3.67	6.53	17.88	43.07	798.62
29 Hotels and Leisure(20)	1346.33	-0.3	1350.84	1357.81	1366.80	1191.26	4.42	6.25	20.04	25.72	1087.18
30 Media(33)	2020.63	-0.3	2027.05	2023.71	2025.12	1513.34	2.57	5.02	24.14	24.98	1120.88
31 Packaging and Paper(24)	834.64	-0.5	839.19	839.36	844.69	759.38	3.53	5.85	21.01	13.72	1065.54
34 Stores(39)	1136.12	-1.3	1151.20	1154.74	1163.15	983.57	3.13	6.12	21.23	17.66	993.12
35 Textiles(20)	790.35	-0.5	794.02	792.62	793.92	648.94	3.86	6.03	20.60	14.90	1076.23
40 OTHER GROUPS(142)	1494.90	-0.1	1496.70	1487.26	1495.37	1242.13	4.29	7.82	16.55	23.59	1055.12
41 Business Services(28)	1625.25	-0.9	1640.54	1634.05	1647.72	1348.34	2.82	7.22	15.87	20.61	1081.44
42 Chemicals(23)	1505.58	-0.1	1507.80	1505.58	1514.69	1373.23	4.37	0.28	‡	35.15	1081.85
43 Conglomerates(11)	1416.49	+0.4	1410.31	1412.42	1401.72	1239.21	5.38	7.54	14.91	29.85	1043.68
44 Transport(15)	2908.34	-0.5	2921.88	2910.57	2912.15	2447.73	3.96	5.18	24.54	53.82	1071.79
45 Electricity(16)	1805.64	+0.2	1802.53	1790.08	1613.40	1367.33	4.36	12.50	9.88	32.59	1171.30
46 Telephone Networks(4)	1790.41	-0.1	1791.37	1786.33	1776.35	1390.08	3.70	5.86	21.04	3.24	1062.42
47 Water(13)	3252.24	+1.5	3205.47	3198.57	3201.19	2800.34	5.43	13.46	8.17	87.73	1027.40
48 Miscellaneous(32)	2233.29	-0.8	2250.56	2247.28	2275.04	1975.71	4.58	7.58	15.83	49.56	920.40
49 INDUSTRIAL GROUP(591)	1431.70	-0.1	1433.80	1429.35	1438.38	1275.01	3.89	6.53	18.82	24.17	1015.00
51 Oil & Gas(18)	2453.82	-0.1	2457.19	2445.45	2457.71	1955.52	4.46	5.70	22.23	40.05	1116.87
59 "500" SHARE INDEX(609)	1522.52	-0.1	1524.86	1519.65	1529.03	1340.16	3.96	6.44	19.14	26.16	1025.32
61 FINANCIAL GROUP(90)	1085.66	+0.2	1083.90	1059.82	1085.34	710.54	3.99	3.55	41.83	21.66	1246.90
62 Banks(9)	1467.46	+0.3	1462.61	1456.79	1463.63	927.27	3.68	4.22	32.86	28.48	1258.04
65 Insurance (Life)(6)	2043.35	—	2043.78	2045.05	2059.04	1450.28	4.37	4.70	26.75	47.49	1188.53
66 Insurance (Composite)(7)	682.80	+0.4	679.95	679.39	684.20	486.53	4.56	‡	‡	15.60	1114.85
67 Insurance Brokers(10)	896.42	-1.9	913.46	916.65	918.62	795.26	4.04	6.22	21.82	18.46	1181.64
68 Merchant Banks(6)	675.18	-0.1	675.89	675.40	675.70	443.34	3.33	7.16	17.18	12.33	1371.00
69 Property(29)	875.12	-0.1	875.58	863.51	868.82	815.34	4.63	4.85	28.71	18.47	1398.88
70 Other Financial(23)	389.55	+0.4	387.95	385.78	387.05	240.40	4.28	5.65	23.70	6.93	1315.27
71 Investment Trusts(110)	1519.30	-0.2	1522.73	1521.36	1530.37	1132.95	2.89	2.15	46.58	19.93	1153.05
99 FT-A ALL-SHARE(808)	1411.73	-0.1	1413.02	1408.36	1416.83	1189.35	3.92	5.85	21.36	24.78	1058.61

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	2841.6	2840.3	2835.5	2833.9	2831.1	2833.5	2835.3	2841.6	2845.6	2848.3	2829.2
FT-SE Mid 250	3228.2	3227.7	3226.3	3221.1	3218.3	3218.2	3218.2	3219.0	3220.0	3229.6	3217.8
FT-SE-A 350	1423.3	1422.8	1420.8	1419.7	1418.3	1419.2	1419.9	1422.2	1424.1	1425.1	1417.8

Time of FT-SE 100 high: 4:29pm low: 10:09am

FT-SE Actuaries 350 Industry Baskets

Hourly	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous close	change
Constrctn	1795.8	1792.1	1786.0	1772.8	1774.7	1773.1	1773.1	1773.1	1773.1	1773.1	1805.3	-32.2
Health&H	997.8	998.8	1003.8	1005.1	1004.9	1004.5	1004.7	1007.3	1007.4	1009.1	996.9	+12.2
Water	1331.9	1339.6	1338.6	1339.3	1338.9	1339.2	1339.2	1338.7	1342.7	1342.7	1323.1	+19.6
Banks	1775.2	1772.9	1770.6	1769.6	1769.3	1772.8	1774.6	1778.9	1782.1	1783.7	1777.9	+5.9

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT at the same address.
The increase in the size of the FT-Actuaries All-Share Index from January 4 1993 means that the FT 500 now contains more stocks. It has been renamed the FT "500". † Sector P/E ratios greater than 80 are not shown. ‡ Values are negative.
The FT-SE 100, the FT-SE Mid 250 and the FT-SE Actuaries 350 Indices are compiled by the London Stock Exchange and the FT-Actuaries All-Share Index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules.

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FINANCIAL TIMES EQUITY INDICES

	July 7	July 6	July 5	July 2	July 1	Year ago	* High	* Low
Ordinary share	2234.1	2235.0	2225.3	2237.9	2262.0	1891.1	2299.5	2124.7
Ord. div. yield	4.13	4.12	4.16	4.13	4.16	4.85	4.52	4.07
Earning yld % full	4.91	4.91	4.93	4.90	4.86	7.16	6.38	4.82
P/E ratio net	26.06	26.09	25.95	26.14	26.33	17.67	26.67	19.40
P/E ratio nil	24.18	24.18	24.06	24.15	24.37	16.40	24.60	18.14
Gold Mines	230.3	233.7	225.2	228.9	209.4	83.6	239.3	60.0

*for 1993. Ordinary share index since compilation: high 2299.5 10/3/93 - low 49.4 26/6/40
Gold Mines Index since compilation high: 734.7 15/2/83- low 43.5 26/10/71
Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2228.2	2227.9	2222.3	2220.7	2219.0	2222.2	2222.7	2227.2	2231.2	2234.1	2216.6

Volume	July 7	July 6	July 5	July 2	July 1	Year ago
SEAQ Bargains	25,357	23,837	25,014	33,980	30,068	21,772
Equity Turnover(£m)†	-	958.8	761.5	1238.9	1397.8	816.9
Equity Bargains†	-	28,069	29,544	38,181	37,076	24,211
Shares traded (mil)†	-	451.0	365.0	585.2	599.2	324.7

† Excluding intra-market business and overseas turnover.

London report and latest Share Index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate. 48p at all other times.

EQUITY FUTURES AND OPTIONS TRADING

TRADING IN stock index futures started weak and deteriorated throughout the morning, with dealers nervous from the previous day's Wall Street performance and a dearth of economic indicators, writes Christine Buckley.

In mid-morning trading the September contract on the FT-SE 100, which opened the day at 2841, touched a low of 2828 – a fall of more than 100 points on a brief high point last week of 2,933.

Its generally poor fortunes were exacerbated by one trader selling 500 contracts. There was also some unwinding by arbitrageurs.

But as dealers began to anticipate a reasonable performance from Wall Street the contract mustered a slight rally. With that hope realised there was a sigh of relief and it edged up to close at 2851.5 – the same point it finished the previous day – in a reasonable volume of 8288 contracts. There was additional bolstering of confidence with the stsady performance of US bonds.

The contract continued to trail its fair value to cash of 7 points – ending 4 points below.

Traded options were also lacklustre with volume down considerably on the previous day – standing at 22,075 lots compared with 31,189. The FT-SE 100 option saw 7,7552 lots traded and 3897 changed hands in the Euro FT-SE. Asda was the largest traded individual stock option at 2,023.

LONDON SHARE SERVICE

BRITISH FUNDS

Notes	Price £	+ or -	1993 high	1993 low	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)						
Funding 6pc 1993‡‡	100	—	100¼	99	6.00	6.76
Treas 13¾pc 1993‡‡	102	-1/32	106	101½	13.35	5.57
8½pc 1994	101 xd		102	101	8.38	5.56
14½pc 1994‡‡	105⅝	-1/16	109¼	105⅝	13.73	5.54
Exch 13½pc 1994	106	-1/16	109	106	12.71	5.53
Treas. 10pc Ln. 1994‡‡	103	—	105	103	9.62	5.54
Exch 12½pc 1994	107	—	110	107	11.62	5.55
Treas 9pc 1994‡‡	104¼	—	105	103	8.63	5.68
12pc 1995	109	—	111	108	10.98	5.74
Exch 3pc Gas 90-95	96¼	—	96¾	94	3.12	5.11
10¼pc 1995	108¼	—	109	107	9.47	5.91
Treas 12¾pc 1995‡‡	114	—	116	113	11.13	6.02
14pc 1996	118	—	120	117	11.86	6.20
15¼pc 1996‡‡	122	—	125	121	12.43	6.32
Exch 13¼pc 1996‡‡	117	—	120	116½	11.25	6.32
Conversion 10pc 1996	110	—	111½	108	9.05	6.48
Treas 13¼pc 1997‡‡	120	—	122	118	11.00	6.67
Exch 10½pc 1997	112	—	113	110	9.38	6.67
Treas 8¾pc 1997‡‡	107	—	108	105½	8.15	6.68
Exch 15pc 1997	129½	+1/32	132	127	11.58	6.94
9¾pc 1998	111	-1/32	112	109	8.77	6.85
Treas 7¼pc 1998‡‡	102	—	103¼	99	7.09	6.71
7¼pc 1998 A‡‡	102	—	102	99	7.10	6.73
Treas 6¾pc 1995-98‡‡	100¼	—	101	97	6.74	6.73
14pc '96-1	127	—	128½	125	11.01	7.27
Five to Fifteen Years						
Treas 15½pc '98‡‡	138	—	138	133	11.39	7.12
Exch 12pc 1998	120	-1/32	122	118	9.92	7.22
Treas 9½pc 1999‡‡	111	-1/32	112½	106	8.56	7.03
Exch 12¼pc 1999	122	—	124	120	9.98	7.31
Treas 10½pc 1999	115	—	117	112	9.07	7.17
Conversion 10¼pc 1999	115¼	—	117	112	8.90	7.24
0pc 2000‡‡	108	—	110	106	8.22	7.10
Treas 13pc 2000	129¼	—	131	125½	10.06	7.58
10pc 2001	114	—	115	109	8.76	7.53
9¾pc 2002	113	—	114	106	8.68	7.65
8pc 2003‡‡	103	—	103	97	7.73	7.54
8pc 2003 A‡‡	103⅛	-1/32	103	102⅛	7.76	7.55

BRITISH FUNDS - Cont.

Notes	Price £	+ or -	1993 high	1993 low	Yield Int.	Yield Red.
10pc 2003	115	-1/32	116	109⅝	8.64	7.73
Treas 11½pc 2001-4	121	-1/32	122	116⅞	9.49	7.79
Funding 3½pc '99-4	74	—	74	67	4.73	6.91
Conversion 9½pc 2004	112¼	-1/32	112	105⅞	8.46	7.84
9½pc 2005	112	-1/32	112½	105⅞	8.46	7.88
Treas 12½pc 2003-5	130	-1/32	131¼	124	9.56	8.07
7¾pc 2006‡‡	98	-⅛	98	94	7.84	7.91
8pc 2002-6‡‡	101	-1/16	101	94	7.89	7.89
Treas 11¾pc 2003-7	124	-1/32	125	118	9.44	8.02
Treas 8½pc 2007‡‡	104	-1/32	104⅞	97	8.12	7.94
13½pc '04-8	138⅝	-1/32	139⅝	131	9.78	8.08
Over Fifteen Years						
Treas 9pc 2008‡‡	109	-1/32	109	101¼	8.20	7.97
9pc 2008 D‡‡	30¼	-1/32	30½	29	8.27	7.98
8pc 2009	100¼	-⅛	100⅝	92	7.98	8.01
Conv 9pc Ln 2011‡‡	109xd	-1/32	109¼	100½	8.26	8.05
Treas 9pc 2012‡‡	109 xd	-1/32	109¼	100	8.25	8.06
Treas 5½pc 2008-12‡‡	77⅞	-1/32	77	70¼	7.11	7.79
Treas 8pc 2013‡‡	99	-1/32	99	93	8.06	8.07
7¾pc 2012-15‡‡	96	-1/32	97	89⅝	8.01	8.07
Treas 8¾pc 2017‡‡	108	-1/32	107	97	8.20	8.11
Exch 12pc '13-'17	138	-1/32	137	125	8.80	8.27
Undated						
Consols 4pc	48⅝xd	+1/16	49	43⅝	8.23	-
War Loan 3½pc‡‡	42⅝	-1/32	43	38⅝	8.21	-
Conv 3½pc '61 Aft.	63	-1/16	64	60⅞	5.48	-
Treas 3pc '66 Aft.	36	-¼	36⅝	33½	8.26	-
Consols 2½pc	32	—	32	29⅝	7.77	-
Treas. 2½pc	30⅞	—	31¼	27	8.10	-

BRITISH FUNDS - Cont.

Notes	Price £	+ or -	1993 high	1993 low	Yield (1)	Yield (2)
Index-Linked						
(b)						
Treas. 2pc '94 (102.9)	134⅝	—	134	131⅝	-	1.15
2pc '96‡ (67.9)	187	-1/16	187	184	1.97	2.77
4⅝pc '98‡‡ (135.6)	108⅞	-1/16	108	105	2.34	2.93
2½pc '01 (78.3)	166¼	+⅛	166⅞	158	2.84	3.18
2½pc '03 (78.8)	163	—	163	155	2.97	3.26
4⅜pc '04‡‡ (135.6)	111¼	—	111	105½	3.06	3.34
2pc '06 (69.5)	170	—	170	159¼	3.10	3.32
2½pc '09 (78.8)	154	—	164	144	3.28	3.45
2½pc '11 (74.6)	160	—	160	148	3.30	3.48
2½pc '13 (89.2)	131½	—	131	122	3.38	3.52
2½pc '16 (81.6)	139	-⅛	139	130	3.43	3.58
2½pc '20 (83.0)	134¼	-⅛	134⅝	124	3.48	3.61
2½pc '24‡‡ (97.7)	111	-⅛	111	102⅝	3.48	3.62
4⅛pc '30‡‡ (135.1)	112	-⅛	112	103¼	3.49	3.61

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to January 1987. Conversion factor 3.945. RPI for October 1992: 139.9 and for May 1993: 141.1.

OTHER FIXED INTEREST

Notes	Price £	+ or -	1993 high	1993 low	Yield Int.	Yield Red.
African Dev 11⅛ 2010	125	—	125	115⅞	8.88	8.28
Asian Dev 10¼pc 2009	117	-1/32	117	108	8.73	8.24
B'ham 11½pc 2012	123¼	—	123¼	114	9.33	8.95
Ireland Cap 8½pc '10	114	-¼	114¼	95	7.48	-
9pc Cap 1998	112	-½	112½	97½	8.04	-
13pc '97-2	125	-½	125½	110	10.40	-
Hydro Quebec 15pc 2011	149	+1/16	149	139	10.02	9.26
Leeds 13½pc 2006	139¼	—	139¼	128	9.91	8.85
Liverpool 3½pc Irred.	37¼	—	37¼	34	9.40	-
LCC 3pc '20 Aft.	33¾	—	33¾	30½	8.89	-
Manchester 11½pc 2007	121¼	—	121¼	114	9.48	8.85
Met. Wtr. 3pc 'B'	68¼	—	68¼	63¼	4.40	7.89
N'wide Anglia 3⅞pc 2021	129½	—	129½	117½	-	4.55
4⅛pc IL 2024	125	—	125	115½	-	4.40
Utd Mex States 16½pc 2008	139¾	—	139¾	132¼	11.81	11.31

Continued on next page

CROSSWORD

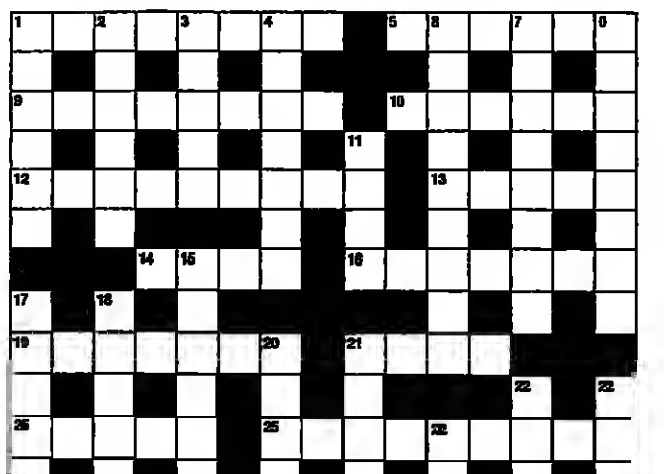
No.8,196 Set by VIXEN

ACROSS

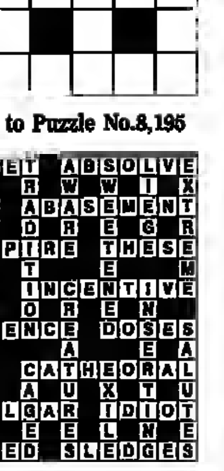
1 Net traps may be set in the church (8)
5 A paling figure nsed a weapon (6)
9 Front-line soldiers keeping an eye oo transport? (8)
10 Carry out repairs to the Spanish plant (6)
12 Check the impulse to give support (9)
13 Doctor or vet, that's obvious (5)
14 Few will be held in respect if crooked (4)
16 Hustle the slipshod operator (7)
19 Some people wear this regularly all the same (7)
21 Struggle with Welsh capital survey (4)
24 A youngster undergoing training actsd reprehensively (5)
25 Acknowledgment of concession (9)
27 A graduate copper's got s computer (6)
28 Teasing is abandoned in time (8)
29 Relaxing and say embracing when at home (6)
30 Man of the cloth naver badly taken in by the radical (8)

DOWN

1 In short, aver nobody would drink here (5)
2 First of all set free a member of the family (6)
3 Put something in – it's material (5)
4 Show larboard light (7)
6 Laboured to be a real reformer (9)
7 Many continually sweet-talk, finding only disdain (8)
8 Lagging laid correctly, right? (8)
11 Cages for big birds (4)
15 Revolutionary order given to military personnel (5,4)
17 Pay for grip (8)
18 Taking a turn on the drum could be uplifting (8)
20 A fellow with nothing inside him may well complain! (4)
21 Convict imprlsoned in dreadful little place (7)
22 A green mould to cause exasperation (6)
23 Champion fed-up over the result (6)
26 Bearing with the ceremonial as set down (5)



Solution to Puzzle No.8,195


CABARET ABSOLVE
H A I R W W I X
ACRID ABASEMENT
D B E D R E G R
TRANSPIRE THESE
I R T E M
CHIPS INCENTIVE
A A O R E N
PENITENCE DOSES
H U A E A
AMBER CATHEDRAL
N R D A U X T U
TRAFALGAR IDIOT
O S Y E E L N E
MISUSED SLEDGES

JOTTER PAD

LONDON SHARE SERVICE

AMERICANS

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

CONTRACTING & CONSTRUCTION - Cont.

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING-AEROSPACE

ENGINEERING-GENERAL

ENGINEERING-GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

[illegible]

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service.

INVESTMENT COMPANIES

[illegible]

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service.

MEDIA

[illegible]

MERCHANT BANKS

[illegible]

METALS & METAL FORMING

[illegible]

MISCELLANEOUS

[illegible]

MOTORS

[illegible]

OIL & GAS

[illegible]

OIL & GAS - Cont.

[illegible]

OTHER FINANCIAL

[illegible]

OTHER INDUSTRIALS

[illegible]

PACKAGING, PAPER & PRINTING

[illegible]

PACKAGING, PAPER & PRINTING - Cont.

[illegible]

PROPERTY

[illegible]

STORES

[illegible]

TELEPHONE NETWORKS

[illegible]

TEXTILES

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

SOUTH AFRICANS

[illegible]

PLANTATIONS

[illegible]

MINES

[illegible]

MINES - Cont.

[illegible]

Irvanhoe West IE ‡‡□	42	-3	57	31	21.1	-
Kells Mins IE ‡‡	13	—	13	6	0.31	-
Kenmare	9	—	13½	6	9.01	-
Meilnga Res.	15	—	25½	15½	1.86	-
Navan Res IE	81	-4	100	25	15.5	-
5pc Ln Notes	94¾	—	94¾	25	17.1	-
Oryx Gold	75½	—	75½	47	-	-
‡‡Ovoca Res IE	3½	—	3½	3½	0.24	-
RTZ □	682	-1	708	607	7,045	2.8
Vizcaya	5¾	—	5¾	2¾	3.08	-

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ✱ USM; not listed on Stock Exchange and company not subjected to same degree of regulation on listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
§ Auction basis
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on IIMR 'Headline Earnings' draft proposals.
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xt ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Ring 081 643 7181 (open 24 hours including weekends) or fax 081 770 3822, quoting the code FT4849. [If calling from outside UK, dial +44 81 643 7181 or fax +44 81 770 3822] Reports will be sent the next working day, subject to availability. If faxing please remember to state the weekly changing FT code above and also your post code.

FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An international service is available for callers outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71 873 4378, International) for more information on FT Cityline.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♣) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH
Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

	Init Charge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Sheppards Unit Trust Mngmt Ltd (1200)F						
1 White Hart Yard, London Bridge SE1 071-407 5966						
Income	5	392.4	392.4	417.46	-0.24	4.23
Global Inc	5	80.41	80.41	84.28	+0.10	3.02
92 Leaders	3	304.71	304.71	324.16	-0.58	2.19
Intl Leaders	5	189.22	189.22	201.3	-0.02	0.65
Singer & Friedlander UT Mngmt Ltd (1000)F						
PO Box 224, Beckenham, BR3 4TF 081-663 3009						
European Trust	6	82.48	92.89	98.86	+0.55	1.21
Far Eastern Tst	5	62.04	62.04	65.00	-0.87	0.45
Smaller Cos	6	137.4	162.1	172.1	-0.1	1.01
Smith & Williamson Unit Tst Mgrs (1600)F						
1 Riding House St, London W1A 3AS 071-637 5377						
S & W American	5	263.5	264.0	278.3	+0.6	0.86
S & W Capital	5	118.6	118.6	127.3	+0.1	0.86
S & W Cash	0	101.30	101.30	101.30	+0.01	5.35
S & W European	5	111.3	111.4	117.8	+0.5	1.01
S & W Far Eastern	5	147.9	148.6	157.2	+0.5	0.05
S & W Growth	5	125.8	127.0	136.2	-0.1	1.28
S & W Income	5	114.6	116.6	122.3	+0.4	4.80
S & W Magnum	5	122.2	123.2	132.4	+0.1	1.05
S & W Thoroughbred	5	144.5	144.5	155.3	-0.1	1.47
Sovereign Unit Tst Mngrs Ltd (1000)F						
12 Christchurch Rd, Bournemouth 0202 298422						
Cash	1	48.85	48.83	50.33		5.3
European Growth		57.00	58.20	62.08	+0.39	3.0
Income		52.40	52.83	56.38	-0.05	5.8
UK Growth		58.12	58.70	60.48	-0.14	4.4
Standard Life Tst Mngmt Ltd (0730)H						
3 George St, Edinburgh EH2 2XZ 0800 393777						
Managed Acc		43.76	43.76	46.50	+0.3	1.89
UK Larger Cos Acc		367.0	372.9	404.6	+0.9	3.61

	Bid Price	Offer Price	+ or -	Yield Gross
Fidelity Investment Services Ltd				
Exempt American Portfolio	137.4	138.9	-1.00	0.00
Mngd Pens P'folio	174.4	179.5	-0.30	0.00
Fledgeling Charity Portfolio				
25 Copthall Avenue EC2R 7DR 071-638 5858				
UK Equity	£1.1103	1.1540	+0.0001	3.91
Bond	£1.0415	1.0650	+0.0025	8.50
Robert Fleming Asset Mngmt Ltd				
Foreign & Colonial Unit Management Ltd				
Balanced Acc Jul 6	184.7	192.1	-1.8	2.84
Balanced Inc Jul 6	181.5	188.7	-1.0	2.84
Latin American Acc Jul 7	102.7	103.9	-1.4	1.64
Funds In Court				
Capital May 27	567.10	591.30	—	3.69
Gross May 27	298.75	308.41	—	10.08
High Yield May 27	344.30	347.04	—	7.49
* Restricted to monies under Court control				
Govett (John) Unit Mngmt Ltd				
Managed Exempt	109.37	118.35	+0.25	3.60
Henderson Unit Trust Management Ltd				
Pensions Mngd	61.88	62.05	-0.22	2.77
INVESCO Asset Management Ltd				
Lazard Brothers & Co. Ltd				

INSURANCES

OTHER UK UNIT TRUSTS

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Providence Capital Life Assc. Co Ltd - Contd.

Alpha Pension Funds

	Bid Price	Offer Price	+ or -	Yield Gross
UK Alpha		229.2	-0.6	-
US Alpha		119.0	-1.2	-
Gilt Alpha		87.5	+0.2	-
Gold Alpha		103.7	+2.8	-
Japan Alpha		43.2	+0.2	-
US Dollar Alpha		75.9	-	-
Yen Alpha		81.7	+0.8	-
DM Alpha		89.6	+0.3	-
European Alpha		87.8	+0.6	-

Provident Life Assoc Ltd

Provident Way, Basingstoke RG21 2SZ 0256 470707

Gold Range (Pensions)

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Fund		156.9	+0.5	-

Provident Mutual Life Assc. Assn.

6 Hills Way Stevenage Herts SG1 3ST 0438 732000

Prudential Assurance Co

Holborn Bars, London EC1N 2NH 071-405 9222

Scottish Amicable

150 St Vincent St, Glasgow 041-248 2323

Scottish Equitable Life Assce. Soc.

28 St Andrew Sq, Edinburgh 031-556 9101

Sun Alliance Group - Contd.

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

[illegible]

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

	Init Chrge	Canc Price	Bid Price	Offer Price	+or -	Yield Gr's
Midland Bank Fund Managers (Jersey) Ltd						
PO Box 26, St Helier, Jersey 0534 606000						
Intl Circuit Portfolio	6	[illegible]	1.2082	1.2822	[illegible]	[illegible]
[illegible]	3	[illegible]	[illegible]	1.0022	[illegible]	7.79
Prudential Fund Managers (Jersey) Ltd						
PO Box 103, St Helier, Jersey 0534 70609						
Prudential Currency Fd (formerly Vanbrugh Currency Fd)						
Income (A & B)	6	211.4	211.4	221.9	+0.3	9.22
Growth (C & D)	6	318.4	318.4	334.4	+0.5	-
Royal Trust Jsy Fd Mngt Ltd (1400)F						
PO Box 428, St Helier, Jersey 0534 27441						
Govt Secs Fd	4	55.88	55.88	58.16	+0.01	7.57
Standard Bank Fund Mngmt (Jersey) Ltd						
PO Box 583, St Helier, Jersey CI 0534 67557						
International Bond	6		16.05	16.98	+0.08	4.53
Sterling Bond	3		9.9180	10.26	+0.01	8.49
Sterling Cap			42.42	42.64	—	5.30
TSB Trust Funds (CI)						
PO Box 538, St Helier, Jersey 0534 503002						

[illegible]

JERSEY (REGULATED)(**)

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

SWITZERLAND (SIB RECOGNISED)

[illegible]

OTHER OFFSHORE FUNDS

[illegible]

MANAGED FUNDS NOTES

[illegible]

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Yen rises on official comments

THE YEN enjoyed a strong rally against the dollar in early European trading yesterday after a Japanese government official suggested that exporters in his country would not feel constrained by the current exchange rate, *writes James Blitz*.

The official, who was unnamed, said that the pain threshold for Japanese exporters could be on the Y105 to Y95 range against the US dollar. Such comments have been made by officials before. But the US-Japanese trading relationship is an important issue at the G7 summit in Tokyo, and the market was sensitive to any news affecting the yen/dollar exchange rate.

Another factor which pushed the yen higher was reported at the Tokyo summit on completing the Uruguay round of the GATT. A move away from trade protectionism would initially give a strong boost the Japanese export penetration in western markets, improving their current account surplus.

Both of these factors gave the yen a strong lift at the start of European trade. At 7 a.m. London time, the yen was at Y108.70 to the dollar, and had moved to a high of the day of Y106.77 within 3 hours.

However, in the afternoon, the Japanese currency lost ground. Political turmoil in Japan remains a strong constraint on the yen's rise and there are fears of a hung parliament following elections this month. The yen closed in London at Y107.70 to the dollar, up Y0.50 on the day.

The yen's strength came despite a firm performance by the dollar against the D-Mark. The US currency may have been boosted by the sharp rise in commodity prices in recent days, following continued flooding in the US Midwest. This has raised speculation of an upturn in US inflation, something that would have to be countered by a rise in short-term interest rates.

The dollar closed yesterday at DM1.7075 against the D-Mark, up $0.75 on the day. The US currency also pushed the pound back through the $1.50 barrier, and sterling closed at $1.4925, down 1⅛ cents on the day.

Sterling's strong rise against the D-Mark in the past week was also checked. One dealer said yesterday that there had been strong selling of sterling in the US last on Tuesday night after the currency hit DM2.57.

After the powerful rise of recent days some profit taking was to be expected. Another factor undermining the pound was the concern registered by EC officials over what was seen as the UK's huge structural budget deficit. The pound closed at DM2.5475, down 2 pfennigs on the day.

The French franc was a fraction weaker against the D-Mark, in spite of continuing speculation that the Bundesbank may cut its short term interest rates again before its summer recess begins on July 29. The franc closed at FFr3.382 against the D-Mark from a previous FFr3.381.

£ IN NEW YORK

Jul 7	Latest	Previous Close
£ Spot	1.4930 - 1.4940	1.5015 - 1.5025
1 month	0.37-0.36pm	0.37-0.36pm
3 months	1.03-1.01pm	1.00-0.98pm
12 months	3.10-3.00pm	3.13-3.03pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

CURRENCY RATES

CURRENCY MOVEMENTS

OTHER CURRENCIES

	£	$
Kuwait	0.45500 - 0.45600	0.30140 - 0.30190
Luxembourg	52.25 - 52.35	35.00 - 35.18
Malaysia	3.8475 - 3.8545	2.5705 - 2.5715
Mexico	4.6830 - 4.6860	3.1240 - 3.1260
N.Zealand	2.7395 - 2.7425	1.8275 - 1.8295
Saudi Ar	5.6120 - 5.6235	3.7495 - 3.7505
Singapore	2.4265 - 2.4330	1.6210 - 1.6220
S.Af (Cm)	4.9870 - 5.0125	3.3220 - 3.3240
S.Af (Fn)	6.8880 - 6.9030	4.5950 - 4.6050
Taiwan	39.70 - 39.85	26.50 - 26.60
U.A.E.	5.4960 - 5.5090	3.6715 - 3.6735

EMS EUROPEAN CURRENCY UNIT RATES

POUND SPOT - FORWARD AGAINST THE POUND

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

FINANCIAL FUTURES AND OPTIONS

LONDON (LIFFE) · CHICAGO · PARIS

Strike	August	September	December	August	September	December
	Calls			Puts		
116	-	-	-	0.05	0.20	0.76
116	-	1.16	1.36	0.16	0.40	1.20
120	0.33	0.60	0.95	0.54	0.82	-
121	0.09	0.25	0.61	-	-	-
122	-	0.10	0.36	-	-	-
Open Int	13,895	130,455	40,721	23,765	177,034	29,097

Estimated volume 48,144 † Total Open Interest 448,377

† All Yield & Open Interest figures are for the previous day.

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.4925	1.4889	1.4824	1.4751	1.4625

BASE LENDING RATES

	%
Adam & Company	6
Allied Trust Bank	6
AIB Bank	6
●Henry Ansbacher	6
B & C Merchant Bank	13
Bank of Baroda	6
Banco Bilbao Vizcaya	6
Bank of Cyprus	6
Bank of Ireland	6
Bank of India	6
Bank of Scotland	6
Barclays Bank	6
Brit Bk of Mid East	6
●Brown Shipley	6
CL Bank Nederland	6
Citibank NA	6
City Merchants Bank	6
Clydesdale Bank	6
The Co-operative Bank	6
Coutts & Co	6
Credit Lyonnais	6
Cyprus Popular Bank	6
Duncan Lawrie	6
Equatorial Bank plc	6
Exeter Bank Limited	7
Financial & Gen Bank	7
●Robert Fleming & Co	6
Girobank	6
●Guinness Mahon	6
Habib Bank AG Zurich	6
●Hambros Bank	6
Heritable & Gen Inv Bk.	6
●Hill Samuel	6
C. Hoare & Co	6
Hongkong & Shanghai	6
Julian Hodge Bank	6
●Leopold Joseph & Sons	6
Lloyds Bank	6
Meghraj Bank Ltd	6
McDonnell Douglas Bk.	6
Midland Bank	6
Mount Banking	6
NatWestminster	6
Nykredit Mortgage Bnk.	6.5
●Rea Brothers	6
Roxburghe Bank Ltd	6
Royal Bk of Scotland	6
●Smith & Williamson Secs.	6
Standard Chartered	6
TSB	6
Unibank plc	6
●United Bk of Kuwait	6
Unity Trust Bank Plc	6
Western Trust	6
Whiteaway Laidlaw	6
Wimbledon & Sth West	7
Yorkshire Bank	6

● Members of British Merchant Banking & Securities Houses Association

MONEY MARKETS

French rates lower

FRENCH franc interest rate futures enjoyed a small rise yesterday following the currency's slightly stronger performance on the foreign exchanges, *writes James Blitz*.

Mr Helmut Schlesinger, the Bundesbank president, said earlier this week that German inflation was slowly moving towards the bank's target level of 2 per cent.

This comment continued to have a strong impact on the market, and dealers continued to speculate that the Bundesbank might cut its official interest rates before it starts its summer recess on July 29. France might then be able to reduce its intervention rate, currently at 6.75 per cent.

UK clearing bank base lending rate 6 per cent from January 26, 1993

The September French franc contract therefore rose 8 basis points to close at 93.55, while the December contract rose 8 basis points to close at 94.27.

Three month French cash also dropped back slightly after appreciating strongly earlier in the week: yesterday it closed at around 7 per cent on the bid side, having been at around 7.06 per cent earlier in the day.

There was little change in German markets following what appeared to be a neutral money market operation by the Bundesbank.

A fixed rate repo of 7.30 per cent had already been announced last week for shorter dated maturities, and the variable rate facility was put at 7.33 per cent. The only issue concerning dealers yesterday was the size of the allocation of funds: but this amounted to a net drain of DM5.6bn, which was widely seen as a neutral move.

The bullishness in UK markets about another base rate cut continued yesterday, with futures dealers looking for another ½ percentage point in the winter.

However, the short-dated contracts took a small fall after Mr Kenneth Clarke, the UK chancellor, said at the G7 summit that cuts in German rates did not imply cuts in UK rates. The September contract closed down 4 basis points at 94.29, and the December contract was 3 basis points down at 94.44.

There was little change in 3 month money, which again closed at 5⅞ per cent. But, again, there were difficulties removing a £1.55bn shortage, because dealers were unwilling to offer bills to the Bank of England amid rumours of base rate cuts. The overnight rate was as high as 7.70 per cent at one stage.

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

WORLD STOCK MARKETS

AUSTRIA

BELGIUM/LUXEMBOURG

DENMARK

FINLAND

FRANCE

GERMANY

GERMANY (continued)

ITALY

NETHERLANDS

NORWAY

SPAIN

SWEDEN

SWITZERLAND

SOUTH AFRICA

JAPAN

AUSTRALIA

HONG KONG

MALAYSIA

SINGAPORE

CANADA

TORONTO

4 pm close July 7

MONTREAL

4 pm close July 7

INDICES

NEW YORK

DOW JONES

STANDARD AND POOR'S

NEW YORK ACTIVE STOCKS

TRADING ACTIVITY

CANADA

TORONTO

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ♦ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

WORLD

M.S. Capital Intl.(1/1/70) $	560.8*	559.6	559.8	560.6	576.30 (3/6)	486.60 (13/1)
Euro Top-100 (26/6/90)	1009.32	1005.62	1001.86	1005.87	1012.88 (30/6)	862.73 (13/1)

**Saturday July 3: Taiwan Weighted Price; 3917.24, Korea Comp Ex. 748.30.
♥ Subject to official recalculation. † Correction. *Calculated at 15.00 GMT.

Base values of all indices are 100 except: Austria Traded, BEL20, HEX Gen., MIB Gen., CAC40, Euro Top-100, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 25 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable

TOKYO - Most Active Stocks

Wednesday, July 7, 1993

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Sumitomo Mtl Min	10.1m	1,080	+10	Hitachi	3.1m	830	+5
Kawasaki hvy Ind .	5.2m	410	-2	Kawasaki Steel	2.2m	346	-2
Shionogi & Co	5.1m	1,070	-20	Mitsui Min & Sml ..	2.1m	522	+5
Kaken Pharm	4.9m	1,670	+40	Cosmo Oil	2.0m	844	0
Nippon Steel	3.8m	359	-7	Nippon Oil	2.0m	802	-4

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FINANCIAL TIMES

FAR MORE THAN FINANCE.

4 pm close July 7

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Continued on next page

4 pm close July 7

NYSE COMPOSITE PRICES

Continued from previous page

- S -

1993 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
22	15½	S Anita Rt x	1.36	7.5	17	34	16¼	16	16⅛	-⅛
20¾	16⅛	SCOR US Cp	0.32	2.0	201	85	16½	d16⅛	16⅛	-⅜
28	20	SPS Techno	1.28	4.7	19	30	27	26¾	27	+⅛
14½	12⅞	Sabine Rlt	1.77	13.4	9	43	13¼	13⅛	13¼	
13¾	8⅞	Safecard	0.20	1.5	13	1053	13½	13⅛	13½	+¼
23½	16⅞	Salng'd Sc			6	32	17¾	17½	17½	+¼
24¾	16¼	SafetyKln	0.36	2.1	28	376	17⅜	17¼	17¼	
16½	10⅞	Safeway			24	1155	15⅝	15¼	15⅜	
3⅝	2	SafewayW96				33	3⅜	3¼	3⅜	+⅛
44½	37½	StJoePaper	0.20	0.5	95	123	40⅛	39⅝	40⅛	+⅛
37¾	31	StJoeL&P	1.78	5.0	14	14	35⅛	35	35⅛	+½
83¾	75	St Paul's x	2.80	3.4	13	656	82⅝	82	82½	+⅝
10¾	7⅞	Salant Crp			7	58	u11	10½	11	+⅜
75¼	39⅞	Sallie Mae	1.20	2.9	6	1952	43	41¾	42	+⅛
13⅞	10	Salomon Br	0.36	2.7		267	13⅜	13¼	13⅜	
41⅞	34	Salomoninc	0.64	1.7	18	994	38⅛	37⅝	37⅞	-½
29⅞	23¼	SanDgo G&E	1.48	5.6	14	292	26⅜	26	26⅜	+¼
4⅝	3½	SantaFeEDu	0.40	10.0	200	42	4	5⅞	4	+⅛
11⅞	0⅛	SantaFeERs	0.16	1.7	862	502	9¾	9½	9⅝	
40⅝	35¾	SantaFePac	2.80	7.2	13	94	39½	38⅝	38⅝	-½
18½	12¼	SantaFeSth	0.10	0.6	20	5211	10	17¾	16	+¼
31⅛	23⅞	Sara Lee	0.58	2.4	17	3150	24⅜	24⅛	24¼	+⅛
48⅝	40⅛	Scana Corp	2.74	5.7	15	276	48	47¾	48	
24⅞	21½	Scecorp	1.42	5.9	14	5805	24	23¾	23⅞	+⅛
38⅞	23⅞	SchererRP			23	53	28⅝	26¼	28⅝	+¼
70⅞	51¾	SchelogPl	1.80	2.7	17	4045	67⅜	65¾	67⅜	+1¾
69⅞	55⅜	Schl'berger	1.20	1.9	23	2801	62½	62	62¼	
29	18½	Schwab(C)	0.20	0.7	16	1014	20	27¼	20	+⅝
7¾	6⅝	Schwitzer			27	10	6¼	6¼	6¼	
35	17¾	ScientAtin	0.12	0.4	48	1239	31⅜	30½	30¾	-¾
13¼	6⅛	Scotman	0.10	0.9	12	1573	11⅜	11⅜	11⅜	-¾
41	31⅞	ScottPaper	0.80	2.5	10	791	32¼	31⅞	32⅛	+⅜

[illegible]

- X - Y - Z -

1993 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
88⅞	71½	Xerox	3.00	3.8	32	9212	76¾	75¼	76¼	
55½	51½	Xerox4,125	4.12	7.5		z100	54¾	54¾	54¾	+¼
50½	31¼	Xtra Corp	0.48	1.1	19	2028	44⅞	44	44½	+¼
24¼	19½	Yankee Egy	1.16	4.9	14	83	23⅞	23¾	23⅞	
1¼	⅝	Zapata			58	271	1⅛	1⅜	1⅛	
10½	5⅞	ZenithElec			2	582	7¼	7⅜	7⅝	
29¼	19⅝	Zenith Nat	1.00	4.2	20	67	23¾	23⅝	23⅝	-⅛
7⅞	6½	Zenix Inc	0.82	10.7		74	7⅝	7½	7⅝	+⅛
15⅛	12¾	Zero Corp	0.40	2.8	18	95	14¼	14	14¼	+⅛
46¾	31⅜	Zurn Ind	0.88	2.7	14	76	32½	32¼	32½	+¼
13¼	12⅝	Zweig Fund	1.12	8.8		199	13	12¾	12¾	-¼
10⅝	9⅞	Zweig Totl	0.88	9.3		388	10⅜	16¼	10⅜	+⅛

Price data supplied by Telekurs

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4 pm close July 7

[illegible]

NASDAQ NATIONAL MARKET

4 pm close July 7

[illegible]

AMERICA

US stocks gain as inflation worries abate

Wall Street

A RETREAT in commodity prices eased investors' inflation fears yesterday and helped leading US stocks post solid gains, *writes Patrick Harverson in New York.*

At 1 pm, the Dow Jones Industrial Average was up 17.42 at 3,468.19. The more broadly based Standard & Poor's 500 was 1.72 firmer at 443.15, while the Amex composite was down 1.15 at 432.62, and the Nasdaq composite down 4.25 at 697.97. Trading volume on the NYSE was 159m shares by 1 pm.

At the end of last week shares were hit by economic worries following a poor June employment report; and at the start of this holiday-shortened week prices fell further on inflation fears as the Commodity Research Bureau index jumped sharply.

Investors yesterday put their economic worries aside – news of a 1.7 per cent rise in May wholesale sales provided some rare cheer – and, aided by a decline in the CRB index, began buying stocks again. Demand, however, was not particularly strong, with much of the buying restricted to investors looking for bargains following recent losses. There was no lead from the bond market either, with Treasury prices little changed at midsession.

Among individual stocks, Advanced Micro Devices rose $⅞ to $23⅞ after the company reported that net income in the latest quarter rose 55 per cent. AMD also unveiled a new micro-processor product.

Elsewhere in the technology sector stocks were mixed. IBM fell $¼ to $46⅝ after the company's chairman, Mr Louis Gerstner, was reported to have decided against a major restructuring of IBM's sales force. Among other leading technology issues, Hewlett-Packard rose $⅞ to $76⅝ and Digital Equipment firmed $⅛ at $39⅝, while Compaq slipped $⅞ to $44⅞ and Motorola gave up $⅞ at $82⅞.

Airlines stocks continued to hit by selling amid concern about demand for air travel. AMR, parent of American Airlines, dropped $1¼ to $59⅞, USAir slipped $⅝ to $15⅞, Delta gave up $⅞ at $46⅞ and UAL fell $⅝ to $125. Also in the transportation sector, Airborne Freight fell $3¾ to $21⅞ after the broking house, Robertson Humphrey, cut its short-term rating on the stock from "buy" to "hold".

Newmont Mining, which on Tuesday jumped on higher metals prices, fell back sharply, dropping $1⅞ to $56⅝.

On the Nasdaq market, Microsoft plunged $3¼ to $82⅝ in volume of 4m shares after Goldman Sachs lowered its earnings estimate for the company. Sequent Computer Systems plunged $4⅞ to $12 in volume of 4.3m shares following Tuesday's late profits warning from the company.

Canada

TORONTO was easier at midday as the price of bullion fell back from a post-Gulf war high of US$397.25 an ounce attained in London earlier in the day.

The TSE 300 index was down 17.94 at 3,966.43 in volume of 31.2m shares valued at C$329.2m.

The gold and silver index slid 128.58 or 1.3 per cent to 9,755.62 and, among gold miners, Royal Oak mines was off C$⅛ at C$7⅞ and American Barrick was down C$⅛ at C$33⅞.

SOUTH AFRICA

GOLD shares snded slightly higher as hullion failed to break the $400 an ounce barrier. The index advanced 2 to 2,092. *Industrials also came off* the day's high to end unchanged at 4,719, while the overall rose 3 to 4,213.

EUROPE

Frankfurt sees a strong rise in post-bourse

THE EXCITEMENT moved from Zurich to Frankfurt yesterday, *writes Our Markets Staff.*

FRANKFURT moved from a negligible rise at midsession, with the FAZ index 3.16 higher at 663.65, through a gain of 18.89 to 1,719.78 in the DAX at the close to a DAX level of 1,739.67 in the late post-bourse, up by 2.3 per cent overall.

Turnover soared from DM5.2bn to DM8.3bn. Ms Barbara Altmann, of B Metzler in Frankfurt, said that there had been forecasts a month ago of an extended consolidation, taking the DAX as low as 1,550, and wide expectations more recently of a 1,680 to 1,720 consolidation range.

However, there had been indications that the economy has touched bottom, including this week's news of month-on-month gains (and reduced year-on-year declines) in the pattern of manufacturing orders in west Germany. "Some stocks broke out of the range", said Ms Altmann.

BMW rose DM11.70 to DM521 and Daimler DM13.10 to DM617.60, the latter accelerating to DM628 in the post bourse; and Volkswagen, which lagged behind on the session with a DM2 gain to DM355.50, went on to DM364 after hours.

Mr Christopher Will of Lehman Brothers, a consistent bull of the sector, said that while sales to date in 1993 had been "dreadful", and earnings this year are likely to be non-existent, some things were getting better; interest rates had come down and the D-Mark had weakened against the dollar.

He calculated that carmakers would be able to price their exports to the US more competitively since the yen is rising against the dollar and the Japanese are raising their prices in that market; BMW is likely to raise its US sales ratio this year from 11 per cent to about 15 per cent of the total, getting better profits out of a recovering market and the stronger dollar.

PARIS was lifted by technical trading late in the session, the CAC-40 index ending 8.61 higher at 1,943.73 after a day's low of 1,920.

Turnover languished at FFr2.2bn. Peugeot featured with a gain of FFr14 to FFr594, partly on hopes for recovery in 1994-1995. SocGen showed a rise of FFr15 to FFr593 ahead of the launch of its ADR's in New York today.

Kuwait's interest in signing a deal with a French defence group came too late to lift Matra Hachette or Thomson-CSF, which showed respective losses of FFr2.20 and FFr4.40 to FFr132.00 and FFr168.10.

MILAN featured a strong performance from Fiat as rumours re-emerged of a possible strategic alliance with another car manufacturer and/or imminent asset sales.

Fiat gained L294 or 4.8 per cent to fix at L6,400, and then rose by another L60 on the kerb.

Analysts remarked that there was nothing new in the rumours and that the gains may reflect recent weakness. The shares remain some 9.5 per cent down on the year's high of L7,070 reached in April.

The Comit index ended 0.30 lower at 533.27.

Among insurers, Ras put on L416 to L27,108 and Toro L500 to L28,980.

Benetton, which eased back slightly at the fix, came back with a L20 gain on the kerb to L18,539. The group repeated at a presentation on Tuesday its forecasts of a 8-9 per cent earnings growth this year, with sales rising to L4,000bn by 1996 from L2,500bn in 1992.

AMSTERDAM saw a rise in the CBS Tendency index of 0.6 to 113.8.

KLM firmed Fl 1.10 to Fl 28.80 on an improvement in June load data while Fokker went the other way, losing Fl 1.00 to Fl 16.00 on news of a Fl 334m convertible bond issue.

ZURICH subsided on profit-taking, and selling of Nestlé following Tuesday's Goldman Sachs downgrade in New York. UBS fell SFr17 to SFr1,170 after Tuesday's speculative gain of SFr53, and Nestlé registered shed another SFr29 to SFr1,089 as the SMI index fell by 17.5 to 2,373.0.

STOCKHOLM rallied after a wsak opening helped hy strength in Volvo and Ericsson. The Affärsvärlden index closed 8.30 higher at 1,097.90 in turnover of SKr777m.

Volvo B shares advanced SKr9 to SKr423 on reports from France that the government there hoped a merger between the Swedish car maker and Renault would be ready by August.

Ericsson put on SKr5 to SKr340 after a broker's upgrade.

MADRID remained muted, the general index losing 0.17 to 257.66 in thin turnover. Banesto, which launched its Pta12bn equity offering, slid by Pta60 to Pta1,970.

TEL AVIV fell for the third consecutive day, this time on mutual fund selling. The Mishtanim index closed 3.52 lower at 190.78.

DUBLIN saw a 3.2 per cent drop in financials, and a 34.87, or 2.1 per cent fall to 1,594.46 in the ISEQ overall index, following rights issue news from the Bank of Ireland, which fell 11p to 250p; Allied Irish Banks fell hy 10p to 262p, although analysts said that a cash call from AIB was unlikely.

FT-SE Actuaries Share Indices THE EUROPEAN SERIES

July 7	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1201.20	1199.50	1199.50	1201.90	1205.07	1208.39	1209.99	1211.33
FT-SE Eurotrack 200	1252.86	1250.98	1252.31	1252.89	1254.82	1257.14	1259.25	1260.04

	Jul 6	Jul 5	Jul 2	Jul 1	Jun 30
FT-SE Eurotrack 100	1203.04	1197.01	1201.31	1213.21	1206.99
FT-SE Eurotrack 200	1257.80	1253.51	1259.19	1270.98	1268.14

Base value 1000 (26/10/90) High/day: 100 - 1211.69; 200 - 1260.52 Low/day: 100 - 1198.65 200 - 1250.45.

Global emerging markets reveal ascendant form

By John Pitt

EMERGING stock markets put in a strong showing in 1992, according to data released this week by the International Finance Corporation in its annual factbook*.

The figures revsal that emerging markets took eight of the top 10 places in a list of 54 countries, including all of the mature equity markets in the world. The greatest gains, measured in dollar terms, came from Jamaica, Peru and China.

Market liquidity and high performance do not exactly go hand in hand. None of the top three appear in the *IFC's* investahle indices, launched earlier this year, which take into account restrictions on foreign investment. The data also confirm that emerging marksts remain among the most volatile in the world, taking nine of the hottom 10 places.

The IFC, a subsidiary of the World Bank, comments that there has been rapid growth among the world's emerging markets over the past decade. Taken as a group, market capitalisation has increased hy ahout 11 times, and trading volume by 25 times, while the Mexican, Korean and Taiwanese markets are among the 15 largest markets in the world as measured by market capitalisation.

The IFC notes a number of trends which have fuelled growth in emerging markets recently and are likely to maintain the momentum in the 1990s.

These include:

- the adoption by many developing *countries* of more market-orientated policies;
- the opening of hitherto closed sectors, such as commercial banking, to overseas investors;
- the restructuring of the corporate sectors in many markets;
- privatisation of state-owned companies, especially in Latin America and south-east Asia.

So far this year Turkey leads the field, showing a gain in dollar terms of more than 120 per cent; and in spite of a setback this week following a resurgence of violence by the Kurds, most analysts believe that its record run remains on course.

The market has been encouraged by the election of Ms Tansu Çiller as prime minister on hopes that she will be able to push through economic reforms aimed at reducing inflation and controlling the hudget deficit. A series of privatisations is also being anticipated.

Schroder Securities in London, in its monthly commentary on *the Turkish market*, notes that during the week in which Ms Çiller was elected to office – June 13 to June 18 – the composite index appreciated by some 18 per cent.

"Excess liquidity and Ms *Çiller's* success in forming a cabinet seems likely to keep the hull market running for at least the rest of the year; while the prospect of half-year results dne out by the end of *July is likely to create speculative* buying this month," the report observes.

Given the more optimistic economic, political and corporate picture, the brokers forecast a level of between 14,000 to *15,000 for the composite* index by the end of the year.

Asian markets have generally performed positively this year. However, Asia Equity in its quarterly review cautions *against excess enthusiasm.*

Mr Stepheu Brown writes that while headline GDP growth among the Asian economies looks impressive, "it is far from balanced within each economy and, as each country's equity market is far from being a representative cross-section of the respective underlying economies, this is translating into intermittent and sectorally orientated growth".

He favours Hong Kong and Singapore over the next quarter, underweighting Malaysia, the Philippines and Thailand.

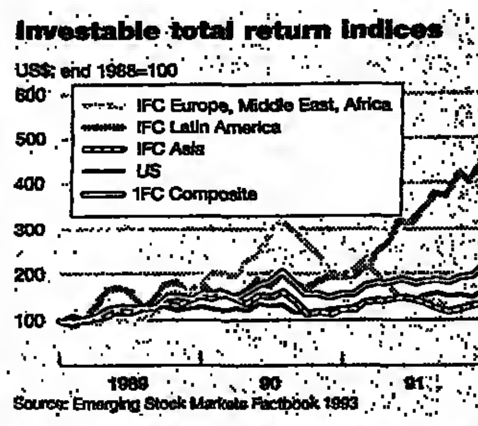
In *Latin* America, Peru eased back a little on profit-taking after reaching an historic high, according to Latin American Securities in London.

The market has been encouraged by the *recent launch of* the first private pension funds, success in securing new international loans, the reduction of various import and luxury taxes and good economic data.

In addition, the normalising *of relations* between Venezuela and Peru, says Latin American Securities, will ensure that Peru can now take part in regional trade discussions.

- *Emerging Stock Markets Factbook 1993, published by the International Finance Corporation, 1818 H Street, N.W., Washington, DC 20433. $65.*

Investable total return indices



Source: Emerging Stock Markets Factbook 1993

ASIA PACIFIC

Another scramble for Australian golds

Tokyo

SHARE prices were dragged down by late position adjustments by dealers in the futures market, *writes Emiko Terazono in Tokyo.*

The Nikkei average lost 109.11 to 19,720.67 after fluctuating between *19,634.26* and 19,828.88. Profit-taking depressed stock futures after Tuesday's rise on speculation about a discount rate cut following the G7 summit.

Buying by public pension and *insurance funds* helped volume to rise from 180m to 240m shares. Declines outnumbered rises hy 578 to 365, with 194 issues unchanged. The Topix index of all first section stocks slipped 8.52 to 1,584.38, but in *Loodon the ISE/Nikkei* 50 index was a slight 0.97 firmer at 1,200.91.

Mr Yasushi Mieno, governor of the Bank of Japan, indicated that he was still pessimistic over an imminent economic recovery. *In a press conference* after the stock market closed yesterday, he said it was premature to declare that the economy had bottomed out and was heading for a full recovery.

Profit-taking depressed issues which had gained recently. Shionogi, the drug maker which replaced Nikkatsu as a Nikkei index component stock, fell Y20 to Y1,070. *Oil refiners, which had risen* on reports of lower crude oil prices, lost ground, with Cosmo Oil down Y8 to Y844 and Nippon Oil Y4 off st Y802.

Mining shares were higher on the rise in gold prices overseas. *Sumitomo Metal Mining*, the most sctive issue of the day, advanced Y10 to Y1,060 while Mitsui Mining and Smelting rose Y5 to Y522.

Banks were hit by technical trading. Industrial Bank of Japan *receded Y30 to Y2,950* and Mitsuhishi Bank weakened Y30 to Y2,730.

Consumer electronics companies were depressed by profit-taking, with Toshiba shedding Y4 to Y669 and Matsushita *Electric Industrial dipping Y20* to Y1,240. Car makers were also weaker. Toyota Motor fell Y30 to Y1,520 and Honda Motor lost Y30 to Y1,260.

In Osaka, the OSE average *ended 65.93 off at 21,725.88* in volume of 15.5m shares. Shimano, the bicycle parts maker, climbed Y40 to Y2,640 on expectations of firm profits.

Roundup

THERE were more gains than declines around the Pacific Rim, mostly for reasons individual to each market.

AUSTRALIA saw buyers scrambling for gold stocks as *bullion prices held firm after* a surge in New York overnight. The gold shares index climbed a further 61.9 to 2,218.3, helping the All Ordinaries index to gain 8.8 at 1,773.0. Turnover was A$394.2m.

Among gold issues, Newcrest Mining moved forward 21 cents to A$5.09, Poseidon 16 cents to A$4.06 and Placer Pacific 15 cents to A$3.65.

MANILA broke the 1,600 barrier, spurred by Philippine *National Bank, which rose* 12.50 pesos to 295 on its change of management. The composite index put on 12.99 at 1,606.50 as combined turnover expanded from 340.7m to 501m pesos.

BANGKOK *rose through 900*, the SET index ending 15.58 higher at 903.00 in heavy turnover of Bt10.52bn. Small speculative stocks were active in early morning trade but buyers then turned to the bigger *counters. First Bangkok City* Bank firmed Bt1.75 to Bt21.25 in Bt1.41bn volume and was the most active stock.

KARACHI's multinationals posted fresh gains on foreign huying as the KSE index added *9.40 at 1,253.54.*

HONG KONG saw mild afternoon profit-taking, and the Hang Seng index retreated 27.23 to 7,141.11. The most active stock was takeover target Miramar Hotel, which appreciated 30 cents to HK$16.50 in morning volume of nearly 200m shares.

SINGAPORE fell on the weakness of a few index stocks. The Straits Times Industrial index lost 16.48 to *1,802.49, led lower by Singapore* Press, Keppel Corp, Inchcape and Sembawang Shipyard.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited
In conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY JULY 6 1993								MONDAY JULY 5 1993					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1993 High	1993 Low	Year ago (approx)
Australia (68)	135.69	+0.4	133.22	92.80	119.93	133.25	-0.1	3.76	135.10	132.52	93.09	119.13	133.37	144.19	117.39	147.06
Austria (18)	143.15	+0.2	140.55	97.91	126.52	126.55	+0.3	1.54	142.90	140.17	98.46	126.00	126.12	150.96	131.18	173.08
Belgium (42)	146.75	-0.7	144.09	100.36	129.70	126.67	-0.4	4.52	147.81	144.98	101.83	130.33	127.21	156.76	131.15	148.75
Canada (108)	128.14	-0.2	125.81	87.64	113.25	119.28	-0.2	2.83	128.35	125.90	88.43	113.17	119.57	130.38	111.41	127.10
Denmark (33)	214.48	-0.1	210.59	146.70	189.56	190.78	+0.1	1.15	214.70	210.59	147.93	189.31	190.68	225.64	185.11	245.63
Finland (23)	98.29	+2.1	96.50	67.23	86.87	117.06	+2.5	1.04	96.23	94.39	66.30	84.85	114.15	100.92	65.50	79.15
France (96)	150.93	+0.2	148.19	103.22	133.38	136.19	+0.4	3.31	150.66	147.77	103.80	132.83	135.65	167.36	142.72	164.80
Germany (60)	109.57	+0.3	107.58	74.95	96.83	96.83	+0.5	2.15	109.28	107.19	75.31	96.36	96.36	117.10	101.59	129.32
Hong Kong (55)	289.09	-0.4	283.84	197.72	255.51	287.88	-0.3	3.28	290.29	284.74	200.01	255.97	288.89	301.81	218.82	249.94
Ireland (15)	161.20	-0.6	158.27	110.25	142.47	158.51	-0.4	3.40	162.15	159.09	111.75	143.01	159.20	170.40	129.28	158.33
Italy (70)	67.56	-1.6	66.33	46.20	59.70	77.85	-1.5	2.08	68.62	67.31	47.28	60.50	78.98	72.82	53.75	66.80
Japan (470)	146.15	+1.3	143.49	99.96	129.15	99.96	+0.5	0.83	144.30	141.54	99.42	127.25	99.42	155.96	100.75	100.05
Malaysia (69)	332.61	+0.4	326.57	227.48	293.96	329.92	+0.4	2.04	331.13	324.80	228.14	291.87	328.52	349.34	251.66	241.74
Mexico (19)	1495.88	-0.2	1468.53	1022.97	1321.92	5110.30	-0.1	0.96	1498.57	1469.91	1032.53	1321.36	5113.64	1725.81	1410.30	1460.88
Netherland (24)	166.62	+0.6	163.59	113.96	147.26	145.21	+0.5	3.78	165.69	162.52	114.18	146.10	144.10	172.75	150.39	164.82
New Zealand (13)	51.88	+0.3	50.94	35.49	45.86	50.60	+0.2	4.41	51.72	50.73	35.64	45.60	50.53	51.88	40.56	47.57
Norway (22)	154.83	+0.4	151.67	105.78	136.71	151.42	+0.5	1.74	154.08	151.14	106.17	135.87	150.58	166.21	157.71	173.02
Singapore (38)	251.08	-0.4	246.53	171.73	221.91	168.08	-0.3	1.84	252.02	247.20	173.65	222.22	168.61	262.72	207.04	215.10
South Africa (60)	210.46	+0.9	206.64	143.94	186.00	212.52	+1.0	2.38	208.57	204.58	143.70	183.90	210.39	210.46	144.72	208.91
Spain (45)	123.91	+0.0	121.66	84.75	109.52	121.85	+0.2	4.84	123.95	121.58	85.41	109.29	121.61	132.82	115.23	153.27
Sweden (36)	185.39	-0.4	163.37	113.80	147.06	192.15	+0.3	1.75	187.14	163.94	115.15	147.37	191.57	184.06	149.70	194.20
Switzerland (50)	127.87	+1.2	125.54	87.46	113.03	119.74	+1.0	1.82	126.40	123.98	87.09	111.47	118.52	129.36	108.51	113.20
United Kingdom (219)	175.01	+0.5	171.83	115.66	154.66	171.83	+0.4	4.08	174.56	171.22	120.26	153.91	171.22	181.99	162.00	191.87
USA (519)	180.71	-1.0	177.43	123.60	159.72	180.71	-1.0	2.83	182.51	178.02	125.75	160.93	182.51	186.27	175.38	166.63
Europe (753)	143.34	+0.2	140.74	98.04	126.69	135.83	+0.4	3.28	143.06	140.32	98.57	126.16	135.35	149.02	133.92	154.79
Nordic (114)	160.87	+0.0	157.45	109.68	141.74	162.29	+0.5	1.53	160.39	157.32	110.51	141.43	161.44	171.77	142.13	180.72
Pacific Basin (713)	150.00	+1.1	147.28	102.60	132.58	106.60	+0.5	1.11	148.33	145.49	102.20	130.78	106.11	159.07	105.89	106.67
Euro-Pacific (1466)	147.15	+0.5	144.48	100.64	130.05	118.84	+0.4	1.97	146.06	143.26	100.63	128.78	118.35	154.05	117.26	126.13
North America (627)	177.43	-0.9	174.21	121.37	156.84	176.52	-1.0	2.83	179.13	175.70	123.44	157.97	178.21	182.38	171.51	164.15
Europe Ex. UK (534)	123.78	+0.2	121.52	84.67	109.41	115.15	+0.4	2.78	123.58	121.21	85.15	108.99	114.77	128.65	112.51	132.30
Pacific Ex. Japan (243)	188.23	+0.0	184.81	128.78	166.38	174.30	-0.1	3.15	188.21	184.61	129.70	165.97	174.52	194.08	152.70	171.83
World Ex. US (1653)	147.96	+0.7	145.30	101.22	130.80	121.09	+0.4	1.99	146.93	144.12	101.24	129.56	120.60	154.27	118.51	127.89
World Ex. UK (1953)	156.31	+0.0	153.47	106.91	138.15	136.27	-0.2	2.15	156.24	153.25	107.66	137.78	136.52	161.34	134.22	135.09
World Ex. So. Af. (2112)	157.69	+0.1	154.88	107.87	139.39	138.94	-0.1	2.31	157.51	154.60	108.61	138.99	139.14	162.74	137.29	139.57
World Ex. Japan (1702)	166.10	-0.5	163.08	113.61	146.82	161.86	-0.4	2.96	166.89	163.70	115.00	147.15	162.38	170.05	157.47	162.33
The World Index (2172)	157.96	+0.1	155.10	108.04	139.62	139.54	-0.1	2.31	157.87	154.85	108.76	139.21	139.73	162.86	137.32	139.99

Latest prices were unavailable for this edition.